



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20543

AK005839

December 29, 1994

MEMORANDUM

TO: RON HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA *Red For 256-*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
CLINTON/GORE '92 COMMITTEE AND CLINTON/GORE '92  
GENERAL ELECTION COMPLIANCE FUND

Attached please find a copy of the Final Audit Report and related documents on Clinton/Gore '92 Committee and Clinton/Gore '92 General Election Compliance Fund, which was approved by the Commission on December 27, 1994.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: Office of General Counsel  
Office of Public Disclosure  
Reports Analysis Division  
FEC Library

950/019110

---

REPORT OF THE AUDIT DIVISION  
ON

**Clinton/Gore '92 Committee  
and  
Clinton/Gore '92 General Election  
Compliance Fund**

December 27, 1994



FEDERAL ELECTION COMMISSION  
999 E STREET, N.W.  
WASHINGTON, D.C.

---

14476107050

9 5 0 7 0 1 2 4 5 6

TABLE OF CONTENTS

CLINTON/GORE '92 COMMITTEE  
AND  
CLINTON/GORE '92 GENERAL ELECTION COMPLIANCE FUND

	Page
Executive Summary	1
Final Audit Report	5
Background	5
Findings	8
Legal Analysis, dated 11/3/94	109
Transmittal to Treasurer	123
Transmittal to Candidate	125
Chronology	127

950/012

0507019444



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20543

AB002386

FINAL AUDIT REPORT  
ON  
CLINTON/GORE '92 COMMITTEE  
AND  
CLINTON/GORE '92 GENERAL ELECTION COMPLIANCE FUND

EXECUTIVE SUMMARY

The Clinton/Gore '92 Committee ("the General Committee") registered with the Federal Election Commission on July 17, 1992. The General Committee was the principal campaign committee of then Governor William ("Bill") Clinton, the 1992 Democratic presidential nominee. In addition, as permitted by 11 CFR §9003.3, the Clinton/Gore '92 General Election Compliance Fund ("the Compliance Fund") registered with the Commission on May 26, 1992. 1/

The audit was conducted pursuant to 26 U.S.C. §9007(a) which mandates Commission audits of the qualified campaign expenses of the candidates of each political Party for President and Vice-President.

On July 17, 1992, the General Committee was certified to receive \$55.24 million in Federal funds.

Audit findings were presented to the General Committee and the Compliance Fund ("the Committees") at an exit conference held at the conclusion of audit fieldwork (October 6, 1993) and in the interim audit report approved by the Commission (March 24, 1994). The Committees were given an opportunity to respond to the findings both after the exit conference and after receipt of the interim audit report. The Committees' responses to the audit findings have been included in this report.

In the final audit report, the Commission made an initial determination that the General Committee was required to pay the

1/ Presidential campaigns receiving Federal funding are permitted to establish compliance funds, which are special accounts that are funded by contributions and used to pay legal and accounting expenses incurred to comply with the campaign finance law.

U.S. Treasury a total of \$254,546, consisting of: \$112,100, representing the receipt of apparent prohibited contributions; \$78,625 representing non-qualified campaign expenses in the form of duplicate payments and for non-campaign related activity; \$6,646 relative to income earned on the Federal funds received and \$57,175 for unresolved stale-dated checks. These and other matters are summarized below.

Disclosure of Receipts and Debts and Obligations - 2 U.S.C. §434(b). The interim audit report found that the Compliance Fund's reports inadequately disclosed occupation and name of employer and that the Compliance Fund did not demonstrate best efforts to obtain this information. The Compliance Fund has since filed amended reports which provide additional disclosures of occupation and name of employer. In addition, the interim audit report found that the General Committee's reports inadequately disclosed refunds and rebates and debts/obligations. The General Committee has since filed amended reports which provide adequate disclosure of refunds and rebates.

9 5 0 7 0 1 9

Funds from Non-Allowable Sources - 11 CFR §9003.3(a). The interim audit report identified fundraising expenses benefiting the Compliance Fund which had been paid by the Primary Committee (Clinton for President Committee) as a result of a disproportionate allocation of costs involving a common vendor. In addition, the interim audit report noted impermissible transfer of contributions to the Compliance Fund from the Primary Committee. The Compliance Fund disagrees with these conclusions and has taken no corrective action. During the Commission's consideration of the Final Audit Report for the Clinton for President Committee (the Primary Committee), the Commission considered the question of the application of private contributions to the Primary Committee's net outstanding campaign obligations versus treating most post date of ineligibility contributions as containing no designation and therefore transferable to the Compliance Fund. A motion to support the Audit staff's analysis applying private contributions to the Primary Committee's remaining net outstanding campaign obligations prior to payment of further matching funds failed. A second motion to consider all post date of ineligibility contributions unmatchable unless specifically designated also failed. As a result of the failed motions, the Compliance Fund will not be requested to return \$1,353,397 to the Primary Committee.

Apparent Prohibited Contribution - 11 CFR §116.3. The interim audit report had questioned whether an extension of credit by a vendor constituted a prohibited contribution. In

response, the General Committee submitted documentation demonstrating that the extension of credit was in the normal course of business and did not result in a contribution.

Apparent Prohibited Contributions - 26 U.S.C. §§9003(b) and 9007(b)(3). The interim audit report noted equipment donated to the General Committee; payments for polling services not made by General Committee; deposits from unknown sources credited to General Committee bills; and, amended contracts benefiting the General Committee. Although the General Committee's response resolved some of these contributions, in the final audit report the Commission made an initial determination that apparent prohibited contributions totaling \$112,100 required repayment to the U.S. Treasury.

9 5 9 / 0 1 2 4 7  
Apparent Non-Qualified Campaign Expenses - 26 U.S.C. §9007(b)(4). The interim audit report noted apparent non-qualified campaign expenses in the form of disbursements paid more than once ("duplicate payments") and non-campaign related payments, to include payments for lost vehicles. After evaluation of the General Committee's response, the Commission made initial determinations in the final audit report that repayments to the U.S. Treasury totaling \$78,625 were required.

Expenditure Limitation - 26 U.S.C. §9007(b)(2). The final audit report notes that the General Committee has made expenditures in excess of the spending limitation totaling \$267,840 and recognizes that reimbursements permitted from the Compliance Fund would eliminate any excessive amount and resulting repayment. The final audit report recommends that such a transfer be made and requests documentation be provided.

Income Earned by the General Committee - 11 CFR §9007.2(b)(4). The interim audit report noted that income was earned on Federal funds, mainly from deposits to an interest bearing escrow account. In the final audit report, the Commission determined that \$6,646 had to be paid to the U.S. Treasury.

Stale-dated Committee Checks - 11 CFR 9007.6. Finally, the Committees are required to pay to the U.S. Treasury \$ 57,175, the total amount of unresolved stale-dated checks.

950 / 012 46103



REPORT OF THE AUDIT DIVISION  
ON THE  
CLINTON/GORE '92 COMMITTEE  
AND CLINTON/GORE '92 GENERAL  
ELECTION COMPLIANCE FUND

I. Background

A. Audit Authority

This report is based on an audit of the Clinton/Gore '92 Committee ("the General Committee") and the Clinton/Gore '92 General Election Compliance Fund ("the Compliance Fund"). The audit is mandated by Section 9007(a) of Title 26 of the United States Code. ~~That section states that "after each presidential~~ election, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of the candidates of each political party for President and Vice President."

Also, 26 U.S.C. §9009(b) states, in part, that the Commission may conduct other examinations and audits as it deems necessary to carry out the functions and duties imposed on it by this chapter.

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 ("FECA"), as amended.

B. Audit Coverage

The audit for the General Committee covered the period from the General Committee's inception July 14, 1992, through June 30, 1993. The General Committee reported an opening cash balance of \$-0-; total receipts of \$63,711,645; total expenditures of \$63,683,481; and a closing cash balance of \$28,163.1/ In addition, the General Committee's disclosure reports were reviewed

1/ The reported activity does not foot due to minor mathematical errors. Figures included in this report are rounded to the nearest dollar.

through June 30, 1994 for the purpose of determining amounts applicable to the expenditure limitation.

The audit for the Compliance Fund covered the period from inception, May 13, 1992, through June 30, 1993. The Compliance Fund reported an opening cash balance of \$-0-; total receipts of \$8,498,699; total disbursements of \$4,587,859; and a closing cash balance of \$3,909,840.2/

#### C. Campaign Organization

The General Committee registered with the Federal Election Commission on July 17, 1992. The Treasurer of the General Committee during the period covered by the audit was Robert Farmer. The current Treasurer is J.L. "Skip" Rutherford. The Compliance Fund registered with the Commission on May 26, 1992. The Treasurer of the Compliance Fund until August 25, 1992 was David Watkins. The Treasurer from August 25, 1992 through October 14, 1994 was Robert Farmer. The Committee filed an amended Statement of Organization on October 15, 1994 which designated J.L. "Skip" Rutherford as the current Treasurer. Both committees maintain their headquarters in Little Rock, Arkansas.

The General Committee maintained five bank accounts at various times to manage its financial activity. From these accounts, the General Committee made approximately 73,000 disbursements. The General Committee was certified to receive \$55,240,000 from the United States Treasury on July 17, 1992 to fund its campaign. Other receipts included a \$1,900,000 transfer from the Compliance Fund, \$125,000 in loans from the Compliance Fund to finance expenses incurred prior to receipt of the July 17, 1992 grant, and approximately \$6,450,000 in offsets to expenditures.

To manage its financial activity, the Compliance Fund maintained one bank account. From this account, the Compliance Fund issued 139 checks in payment for goods and services and an additional 234 checks for refunds of contributions. Also, the Compliance Fund received approximately 126,700 contributions from about 98,000 individuals totaling almost \$8,473,000. Of this amount, approximately \$2,443,000 originated from contributors to the Clinton for President Committee ("the Primary Committee") as contributions which were redesignated to the Compliance Fund.

#### D. Audit Scope and Procedures

In addition to a review of the committees' expenditures to determine the qualified and non-qualified campaign expenses

2/ The reported closing cash balance does not foot due to a \$1,000 math error in total disbursements on the Summary pages of the Year-End, 1992 disclosure report.

incurred by the campaign, the audit covered the following general categories:

1. The campaign's compliance with statutory limitations with respect to the receipt of contributions or loans;
2. the campaign's compliance with the statutory requirements regarding the receipt of contributions from prohibited sources, such as those from corporations or labor organizations (see Finding II.B.1. & III.A.);
3. proper disclosure of receipts, contributions from individuals, political committees and other entities, to include the itemization of receipts when required, as well as, the completeness and accuracy of the information disclosed (see Findings II.A.1. & II.B.2.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.B.2.);
5. proper disclosure of campaign debts and obligations (see Finding II.B.3.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. adequate recordkeeping for campaign transactions;
8. accuracy of the Statement of Net Outstanding Qualified Campaign Expenses filed by the campaign to disclose its financial condition (see Attachment 5);
9. the campaign's compliance with spending limitations (see Finding III.C.); and
10. other audit procedures that were deemed necessary in the situation.

As part of the Commission's standard audit process, an inventory of the committees' records was conducted prior to audit fieldwork. This inventory was conducted to determine if the committees' records were materially complete and in an auditable state. It was concluded that the records were materially complete, except as noted below.

Our review of disbursements was hampered by the campaign's procedures for maintaining disbursement files. The

campaign ordered its disbursement files by parcel number<sup>3/</sup> for its draft account and by check number for its other accounts. With respect to other committees, such files are frequently ordered by vendor. Ordering files by vendor allows for a more efficient review of payments made and outstanding balances owed to a particular vendor.

Unless specifically discussed below, no material non-compliance with Statutory and 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 Relative to Non-Repayment Matters

### A. Clinton/Gore '92 General Election Compliance Fund

#### 1. Disclosure of Occupation and Name of Employer

Section 434(b)(3)(A) of Title 2 of the United States Code requires a political committee to report the identification of each person who makes a contribution to the committee in an aggregate amount or value in excess of \$200 per calendar year together with the date and amount of any such contribution.

Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" to be, in the case of any individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 432(i) of Title 2 of the United States Code 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 this Act for the political committee, any report of such committee shall be considered in compliance with this Act.

Section 104.7(b) of Title 11 of the Code of Federal Regulations states, in part, with regard to the identification, as defined at 11 CFR 100.12, of each person whose contribution(s) to the committee and its affiliates 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 written request or by an oral request documented in writing to obtain such information from the contributor. Such effort shall consist of a

<sup>3/</sup> The General Committee sent drafts to personnel in the field in "parcels". A log was maintained for each numbered "parcel." These "parcels" were numbered sequentially and documentation was maintained by "parcels."

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.

The Audit staff reviewed contributions from individuals on a sample basis. The sample results revealed an error rate of 50% with respect to disclosure of occupation and name of employer. For some of the errors, the receipt documentation available for review did not contain information concerning related solicitations. Therefore, the Audit staff could not determine if best efforts had been employed. In other instances, the solicitation documentation provided did not contain a request for name of employer. Other errors resulted from instances where the information was obtained but not disclosed.

During the course of the audit, the Audit staff advised the Compliance Fund of the high error rate. The Compliance Fund was again advised of this matter at the exit conference but did not provide an explanation.

Subsequent to the exit conference, the Compliance Fund provided a form letter requesting occupation and name of employer along with a listing of names to whom the letter was reportedly sent. The letter is dated July 19, 1993. It was noted that approximately 85% of the names of the individuals included in the sample errors were contained on the listing provided. The Compliance Fund stated that "amended reports reflecting this information will be filed in the near future." The Audit staff was not made aware of this mailing during fieldwork and was not offered the opportunity to review any responses.

In the Interim Audit Report, the Audit staff recommended that the Compliance Fund submit documentation to demonstrate that best efforts were utilized and file Schedules A-P to disclose occupation and name of employer information obtained as a result of the July 19, 1993 mailing or contained in Compliance Fund files but not previously disclosed.

In response to the Interim Audit Report, Counsel for the Compliance Fund states that the July 19, 1993 mailing "demonstrates that best efforts were made to obtain the information. In addition, the Compliance Fund has filed Amendments to Schedules A-P disclosing the information obtained from this mailing.

"The Compliance Fund further notes that all solicitations for contributions to the Compliance Fund were accompanied by a request for contributor information in compliance with 11 C.F.R. §104.7. ... The Compliance Fund made best efforts to request contributor information as required by §104.7 at the time of solicitation, and reported the information received. To the extent that some information may have been received but not reported, as speculated in the Interim Report, the omission was

inadvertent and may have been due to data entry errors." The Compliance Fund also provided copies of sample contributor cards.

Although sample contributor cards were provided that contain a request for the necessary information, these samples do not obviate the fact that some of the contributor response devices reviewed by the Audit staff during fieldwork did not contain a request for name of employer. In addition, as discussed above, the receipt documentation for some of the errors did not contain information associating them with a particular solicitation or with the samples submitted. As a result, the Audit staff could not determine if best efforts had been made by the Compliance Fund. The Audit staff is also of the opinion that a letter sent eight months after the election, and after the matter had been discussed with Compliance Fund representatives by the Audit staff during audit fieldwork, does not demonstrate that best efforts were made to obtain the information.

Although not submitted with its response to the Interim Audit Report, the Compliance Fund has filed amended reports which provide additional disclosures of occupation and name of employer.

## 2. Funds from Non-Allowable Sources

Sections 9003.3(a)(1)(i), (ii) and (iii) of Title 11 of the Code of Federal Regulations state that a major party candidate may accept contributions to a legal and accounting compliance fund if such contributions are received and disbursed in accordance with this section. A legal and accounting compliance fund may be established by such candidate prior to being nominated or selected as the candidate of a political party for the office of President or Vice President of the United States. Contributions to this fund shall be subject to the limitations and prohibitions of 11 CFR parts 110, 114 and 115.

Further, funds received during the matching payment period that are remaining in a candidate's primary election account, which funds are in excess of any amount needed to pay remaining primary expenses or any amount required to be reimbursed to the Presidential Primary Matching Payment Account under 11 CFR 9038.2, may be transferred to the legal and accounting compliance fund without regard to the contribution limitations and used for any purpose permitted under this section.

Finally, contributions that are made 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 the contributions represent funds in excess of any amount needed to pay remaining primary expenses; the redesignations are received within 60 days of the Treasurer's receipt of the contributions; the requirements of 11 CFR 110.1(b)(5) and (1) regarding redesignations are satisfied; and the contributions have not been submitted for matching.

a. Fundraising Expenses Paid by the Primary Committee

The Compliance Fund and the Primary Committee utilized a common vendor for fundraising purposes for a period of time. The Compliance Fund sent two fundraising letters to donors of the Primary Committee. The mailings included letters that dealt with general election issues and requested a contribution to the Compliance Fund. One of these mailings contained a photo of the Presidential and Vice Presidential candidates on the podium at the convention which had been promised in an earlier fundraising appeal by the Primary Committee. The other mailing contained a lapel pin which had also been promised in an earlier mailing of the Primary Committee. Therefore, the mailings served a function for both the Compliance Fund and the Primary Committee. The cost of these mailings was allocated with the Primary Committee paying 85% of the cost and the Compliance Fund paying the remaining 15%.

Documentation was not available detailing how the allocation was determined. The Audit staff concluded that a 50% allocation between the two committees would be more appropriate given the dual function of the mailings. According to the invoices for these mailings, the total costs were \$371,855. Of these costs, the Primary Committee paid \$316,751. If a 50% allocation is used, each committee should have paid \$185,927. Based on this allocation, the Compliance Fund owes the Primary Committee \$130,824 (\$316,751 - \$185,927).

The Compliance Fund representatives were made aware of this matter at the exit conference. Subsequently, the Compliance Fund provided a letter from the vendor dated October 27, 1993. This letter states, in part, that "[t]his allocation relates to two mailings made during the months August and September, 1992, as to which the total cost of producing the mailings were allocated by us based on the respective costs of the fulfillment information and materials relating to the primary campaign as compared to the cost of the components related to GELAC [Compliance Fund] fundraising." However, this response did not contain any documentation with which to verify that the respective costs resulted in this 85% and 15% split.

The letter from the vendor also states that the allocation was done by the vendor "in accordance with standard accounting practice with regard to allocated costs in accordance with the principles set forth by the American Institute of Certified Public Accountants Statement of Position 87-2, relating to accounting for joint costs of informational materials and

activities that include a fundraising appeal."

The Statement of Position explains that it does not specify any allocation method but only provides guidance concerning when an allocation is appropriate. Further, 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 Fund should pay the entire amount.

Given that: (1) FECA matters are not governed by this accounting publication, (2) the purpose of the publication is not wholly on point, (3) the nature of the guidance contained in the publication, and (4) the dual purpose of the mailing, a 50% allocation is appropriate.

The Interim Audit Report concluded that, given the above, the 50% allocation is appropriate. Therefore, the difference between 50% and 85%, or \$130,824 is a Compliance Fund expense.

In response to the Interim Audit Report, the Compliance Fund disagreed with the Commission's determination that a 50% allocation was reasonable. The Compliance Fund 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 Primary 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 Fund had the opportunity to solicit contributions from a group of known Clinton supporters at a reduced cost. All contributions were directed to the Compliance Fund. Thus, allocating only 50% of the cost to the Compliance Committee is a conservative approach. A larger Compliance Fund allocation could be supported.

The Compliance Fund 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 Fund should pay the entire amount.

The Compliance Fund sent an affidavit from Mitzi Dudley, the treasurer of Strategic Political Response. 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 Compliance Fund 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 Primary Committee, they did overpay this vendor by \$12,558 for these mailings. The vendor may have included part of the overpayment in calculating the \$261,137 and the \$124,654 totals.

Attachment 1 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, and a solicitation to "Please make personal check out to CLINTON/GORE COMPLIANCE FUND". The reverse side of the memo requests contributor information, once again requests contributors to make their check payable to the Compliance Fund and notes that it was authorized and paid by the Compliance Fund. 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 Compliance Fund, the 50% allocation is more than reasonable and consistent with the Commission's regulations.

Another project, performed by this vendor at a cost of \$69,660, was paid entirely by the Primary Committee. This project was for a compilation of contributor information to create a "Master File." Over 90% of the cost was incurred on invoices dated after September 16, 1992 according to available records. The Primary Committee had utilized another vendor to handle the majority of its receipts processing and to provide the Audit staff with the required computer tape containing the contributions and disbursements for the Primary Committee. Also, Compliance Fund representatives requested and received a magnetic copy of that information from the Commission. Based on this information, the Interim Audit Report concluded that the entire amount should have been paid by the Compliance Fund.

In response to the Interim Audit Report, the Compliance Fund submitted an affidavit from Mitzi Dudley.

"All master file work was performed and invoiced to the Primary Committee by Strategic Response 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 communications. [sic] A master file is commonly a master 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 donations [sic] 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."

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.

From the information provided during the fieldwork, the Primary Committee's first fundraising mailing by this vendor was May 18, 1992 and the last July 17, 1992. The Primary 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 Primary Committee paid over \$140,000 for this activity, of which \$55,000 was invoiced after September 16. In fact, the Primary

Committee overpaid by \$24,500, which it later recovered as part of a \$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 Fund's first invoice for data entry and caging was dated October 21, 1992 and its last fundraising mailing was on October 9, 1992. The total amount the Compliance Fund paid for data entry and caging was approximately \$80,000. The Compliance Fund did not present information to show that they had paid for any Master File charges.

The response does not establish that this project was part of the original contract, or was related to any Primary Committee fundraising effort. Indeed the Primary Committee had concluded that it was solvent in August of 1992. However, the information available does not establish the Master File as a Compliance Fund project and, accordingly, it is not included in the amount due to the Primary Committee.

The Audit staff identified another vendor to which the Primary Committee paid \$1,720 to defray Compliance Fund expenses. The Compliance Fund has acknowledged that this amount is owed to the Primary Committee.

Therefore, the Primary Committee has paid a total of \$132,544 (\$130,824 + \$1,720) in expenses which should have been paid by the Compliance Fund.

b. Funds Redesignated from the Primary Committee

The Compliance Fund received \$2,444,557 in contributions which were redesignated and transferred from the Primary Committee. The Regulations, as noted above, require that contributions designated for the Primary Committee and made after the beginning of the expenditure report period cannot be transferred to the Compliance Fund unless the contribution is in excess of the contributor's primary limitation; or, the contributions are in excess of funds needed by the Primary Committee to pay remaining expenses. The Primary Committee did not have sufficient funds to pay expenses until receipt of a Matching Fund payment on September 2, 1992.

The amount transferred from the Primary Committee to the Compliance Fund included \$1,519,049 in contributions received from the Compliance Fund's inception through September 2, 1992. The Interim Audit Report concluded that only \$222,532 of these transferred contributions represented either excessive contributions to the Primary Committee or contributions intended for the general election; \$66,846 prior to July 16, 1992 and \$155,686 subsequent to July 16, 1992.

Therefore, the Interim Audit Report stated that the Compliance Fund received \$1,296,517 (\$1,519,049 - \$222,532) in impermissible funds from the Primary Committee.

Subsequent to September 2, 1992, the Primary Committee received approximately \$1,025,000 in contributions. Of this amount, approximately \$924,000 was redesignated to the Compliance Fund properly under 11 CFR §9003.3(a)(iii) and is not questioned at this time.

In response to the Primary Committee's exit conference, Primary Committee representatives stated that they dispute the auditors' assertion that these contributions could not be redesignated to the Compliance Fund. They further stated that this assertion is contrary to law. The contributors properly and legally designated those contributions in writing for the Compliance Fund pursuant to 11 CFR §110.1 4/, and the auditors cannot prohibit the Primary Committee from maintaining those contributions in the Compliance Fund.

With respect to the propriety of the redesignation, 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 Primary 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 contributor's 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."

The Interim Audit Report also explained that the definition and the calculation of remaining entitlement to which the Primary 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 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,

4/ Although Primary Committee representatives cited 11 CFR §110.2, the Audit staff presumes they meant 11 CFR §110.1.

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 follows the explanation. Finally, it is explained that this 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 11 CFR §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 of a primary committee's remaining matching fund entitlement applying private contributions first and then matching funds.

The Interim Audit Report concluded that the Primary 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 Interim Audit Report recommended that the Compliance Fund provide documentation and any relevant comments to demonstrate that the above mentioned transfers were permissible. Absent such a demonstration, the Audit staff recommended that the Compliance Fund pay \$1,296,517 to the Primary Committee.

In response to the Interim Audit Report, the Compliance Fund puts forth several arguments why no repayment is due. To begin with, the Compliance Fund 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 Compliance Fund contends that no redesignations were necessary to transfer the contributions from the Primary Committee. The response notes that the Primary Committee's

vendor, who processed these contributions, treated them as "redesignations" without the Primary 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 Compliance Fund, using its interpretation of the provisions 11 CFR §110.1, submitted calculations of amounts that could be considered general election contributions without need of redesignations. The calculations included lists by deposit date and number of any amount that was considered to represent general election contributions. The lists were divided into three categories; contribution checks made payable to Clinton for President<sup>5/</sup> with an unsigned primary contributor card attached, contribution 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 Compliance Fund'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 Compliance Fund stated that copies of the contribution checks supporting their analysis were available for our review at its Counsel's Offices.

The Compliance Fund'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.

The Audit staff concluded that the Compliance Fund's analysis was not consistent with the provisions of 11 CFR §110.1, not consistent with the matching fund regulations and the post-date of ineligibility matching fund entitlement system, and not consistent with the Primary Committee's treatment of these contributions.

As noted, section 110.1 of the Commission's regulations states that to be considered designated to a particular election a contribution must clearly indicate the election with respect to which the contribution is made. In the view of the Audit staff, the majority of the contributions in contention are so designated. By the Compliance Fund's calculation over \$2.2 million of the \$2.8 million in post date of

<sup>5/</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.

ineligibility contributions were made payable to the Primary Committee and \$1.6 million of that was photocopied with a Primary Committee solicitation attached. The Primary Committee and Compliance Fund have different and distinctive names, Clinton For President Committee vs. Clinton/Gore '92 General Election Compliance Fund. Each entity had its fundraising appeals that made it clear which committee was soliciting the contributions. Each committee is a separate entity, has separate accounts, files separate reports with the Commission and has different funding sources. Therefore, the Audit staff stated that a check made payable to Clinton For President is designated in writing for the primary election and to conclude otherwise would be inconsistent with other provisions in the matching fund regulations. As explained above, the Commission's regulations have for many years held that after the date of ineligibility private contributions must be applied to a primary campaign's deficit before any matching funds may be received by the committee. The Audit staff concluded that to allow contributions solicited by, made payable to, received by, and deposited by the Primary Committee may be transferred wholesale to the Compliance Fund is completely inconsistent with the matching fund regulations. Rather than minimize the amount of post date of ineligibility matching funds paid to a candidate such an interpretation would encourage candidates to manipulate their contributions in such a way as to maximize their receipt of matching funds.

The Audit staff analysis also concluded that other sections of the Commission's regulations governing the matching fund program support the Commission's interpretation. In 11 CFR §9034.8(c)(7)(iv), it is clear that when dealing with joint fundraising by publicly funded campaigns, contribution checks made payable to a particular participant are considered to be earmarked or designated to that participant. The case at hand is similar. The contribution is made payable to a particular committee. The difference is that 11 CFR §9003.3(a)(1)(iii) prohibits the redesignations.

Section 9034.5(a)(2)(i) of Title 11 of the Code of Federal Regulations defines cash on hand to include all contributions dated on or before the date of ineligibility. This includes checks received on the last day of ineligibility, but deposited after the date of ineligibility. The Compliance Fund's analysis of the Primary Committee's contributions includes as general election contributions some contributions dated on or before the date of ineligibility. Finally, section 9034.2 of the Commission's regulations define, in part, a matchable contribution to be one that is dated, physically received and deposited by the candidate, or any of the candidate's authorized committees, on or after January 1 of the year immediately preceding the calendar year of the Presidential election, but no later than December 31 following the matching payment period, and made payable to the candidate or his or her authorized committees. The Audit staff concluded that following the Compliance Fund's analysis none of the contributions dated after the date of ineligibility should

have been submitted for matching by the Primary Committee. To match such contributions would suggest that contributions intended for the general election and transferable to the Compliance Fund could be matched for the Primary Committee.

In the opinion of the Audit staff, the Compliance Fund's own analysis was inconsistent with respect to these contributions. The lists supporting those contributions made payable to Clinton For President begin with deposits on August 6, 1992. The apparent reason is that the Primary Committee's final matching fund submission contained contributions deposited through August 5, 1992. A sample of the contributions deposited between the date of ineligibility and August 5, 1992, was selected and examined to determine if those contribution checks were different with respect to payee or election designation. No difference was noted. Thus it appears that more significant to the Compliance Fund's analysis than an express election designation, is whether the Primary Committee submitted the contribution for matching. Even more revealing was a review of the contributions contained on the Primary Committee's list of contributions not made payable to Clinton For President and now considered general election contributions. First, a number of contributions are dated before the date of ineligibility and are, therefore, considered cash on hand for NOCO purposes. Second, a spot check of the contributions on this list dated after the date of ineligibility and deposited before August 6, 1992 indicates that the majority of the contributions were submitted for matching and matched. In the opinion of the Audit staff, the Compliance Fund cannot have it both ways.

The Compliance Fund's response to the Interim Audit Report goes on to argue that in August of 1992 the Primary Committee made a calculation of the cut off date beyond which no further matching funds would be sought. The Compliance Fund contends that this estimate was made without benefit of hindsight or the results of the audit. As a result, the Compliance Fund states that fewer contributions were raised for the Compliance Fund than would have been the case had the Compliance Fund known the position that the Commission would take with respect to post date of ineligibility contributions. The Compliance Fund argues further that to require the transfer of funds back to the Primary Committee would result in unfairness to the Compliance Fund because it may leave an insufficient amount to pay continued general election winding down costs.

This argument appears to refer back to the Primary Committee's response to this issue at the exit conference and its later response to the exit conference. As explained above and in the Interim Audit Report, in the opinion of the Audit staff, the Primary Committee's calculation was not in accordance with the Commission's current regulations or long standing practice. Therefore, for the Commission to forgo the transfer from the Compliance Fund and the recapture of matching funds in excess of entitlement from the Primary Committee, would constitute

a matching fund subsidy for the Compliance Fund. Such a subsidy would be well beyond the statutory scheme.

The Compliance Fund also objects to the application of both private contributions and matching funds as each is received rather than accounting for matching funds at the time of submission. The Compliance Fund notes two perceived problems with this system. First is the uncertainty of a committee's private contribution flow between the time a submission is made and the time matching funds are paid. The Compliance Fund contends that it is possible for a candidate's matching fund entitlement to change significantly between those two dates making the determination of when no further funds are needed impossible. The Compliance Fund suggests that a better approach would be to include matching funds in the calculation at the time of submission. As explained above and in the Interim Audit Report, the system in place furthers the goal of having campaigns, to the extent possible, pay debts after the candidate's date of ineligibility with private contributions. As for knowing when no further matching funds are needed, it is the committees that are in the best position to know if any matching fund entitlement remains. It is the committees that know on a current basis what changes may have occurred with respect to their NOCO, what contributions have been received and the amount of any pending matching fund submission.

Secondly, the Compliance Fund suggests that the current procedure is unfair to the candidate who processes contributions more slowly. The Compliance Fund uses as an example a case where contributions received one month are not processed until the next, causing a delay in the receipt of matching funds for those contributions. The alleged inequity that the Compliance Fund addresses occurs if the candidate is able to raise sufficient private contributions to liquidate his NOCO before having an opportunity to submit the earlier contributions and have them matched. Again the Commission's long standing policy is to encourage committees to use private contributions to pay campaign debts. The Compliance Fund's suggestion to make the entitlement calculation at the time of submission rather than at the time of payment would maximize the receipt of matching funds, while potentially leaving the candidate with surplus private contributions received after the last matching fund submission is made.

As a final point the Compliance Fund includes a footnote that states:

"The Committee believes that the Commission's approach in this regard is inconsistent with the legal concept of 'entitlement.' A candidate who qualifies for matching funds is entitled to receive them in an amount equal to matchable contributions raised up to 50% of the expenditure limitation. 26 U.S.C. §9034. The process would be far less costly and simpler to administer if

the Commission, as envisioned by the statutory language, were to match qualifying contributions up to the 50% limitation and seek a ratio surplus repayment once all obligations have been satisfied. 26 U.S.C. §9038(b)(3). In fact, if the Commission followed the statutory scheme it may be possible to resolve the audits within the six months contemplated in the surplus repayment provision. Id."

The Compliance Fund's Counsel's highly optimistic analysis of the benefits of the recommended change in approach aside, it is noted that the Commission considered and rejected just such a system in the course of its 1987 amendments to the Matching Fund Regulations. More recently, a July 8, 1994, opinion by the U.S. Court of Appeals for the District of Columbia in Lyndon H. LaRouche and LaRouche Democratic Campaign '88 v. Federal Election Commission is relevant. In that decision the Court quotes 11 CFR §9034.1(b) concerning the application of private contributions to a candidate's NOCO and states:

"This language would appear to be dispositive. A candidate is entitled to receive post-DOI matching payments so long as net campaign obligations remain outstanding; and the regulation defines a candidate's ~~remaining[NOCO]~~ as the difference between the amount of his original NOCO and 'the sum of the contributions received ... plus matching funds received.' ... Whenever the sum of his post-DOI receipts equal the amount of his NOCO—whether those receipts be in the form of private contributions or matching payments from the public fisc—his entitlement to further matching payments comes to an end. Even if we were to find the regulation ambiguous, which we do not, we would still have to accept the Commission's interpretation of section 9034.1(b) unless we found it 'plainly inconsistent with the wording of the regulation,' ... which it is not."

"Having concluded that the Commission's interpretation of its regulations is not merely reasonable, but compelling, we must determine whether the regulations, as construed, represent a permissible interpretation of the Act."

"Here, petitioners have failed to cite anything in either the language or structure of the Act that would render the Commission's interpretation of section 9033(c)(2) unreasonable. To the contrary, its provisions make it clear that Congress wished to restrict the availability of matching payments to candidates it consider[s] viable. Thus the Act expressly limits the class of those who are eligible for funds, 26 USC § 9033, and it withdraws the eligibility of candidates who fail to receive at least ten percent of the vote in two successive primaries. Id §

9033(c)(1)(B). Under the circumstances we fail to discern why it is impermissible for the Commission to adopt a regulation that terminates post-DOI matching funds as soon as a candidate has received sufficient funds from private and public sources to liquidate his NOCO, whether or not they are so used."

Although President Clinton did not become ineligible due to a failure to receive 10% of the vote in two consecutive primaries, once he had passed the date of ineligibility the provisions of 11 CFR §9034.1 are applicable and as the Court concluded, consistent with the statutory scheme.

After considering the Compliance Fund's arguments and examining the documentation assembled to support their calculations, the Audit Staff again reviewed the composition of the \$155,686 allowance for contributions transferable to the Compliance Fund included in the Interim Audit Report calculations. That allowance included \$34,585 in excessive contributions redesignated to the Compliance Fund, \$52,357 specifically designated to the Compliance Fund by virtue of the payee or a notation on the check's memo line, and \$68,744 in contributions that were made payable to a non-specific payee (e.g. Bill Clinton, Clinton Team, Clinton Campaign, etc.), dated after the date of ineligibility, and not associated with any solicitation. In further review, it was learned that many of the contributions in the non-specific payee category deposited after the date of ineligibility and through August 5, 1992 were submitted for matching by the Primary Committee and matched. This is in accord with the Commission's Guideline For Presentation In Good Order and Regulations which state that a matchable contribution is to be made payable to the candidate or his or her authorized committees. Thus it was apparent that the Primary Committee treated contributions with such payees as primary contributions. The Audit Staff could see no reason to challenge that treatment. The amount that is calculated as transferable to the Compliance Fund from contributions received and deposited by the Primary Committee after the date of ineligibility and through September 2, 1992 was \$99,806. That amount consists of \$34,585 in redesignated excessive contributions, \$56,792 in checks made payable to or otherwise designated to the general election campaign, and \$8,429 in cash contributions identified during the review of records made available with the Compliance Fund's response to the Interim Audit Report.

For the above stated reasons, the Audit staff concluded that the Compliance Fund owes the Primary Committee \$1,353,397. The Audit staff determined this figure by reducing the \$1,519,049 in contributions included in amounts transferred from the Primary Committee to the Compliance Fund by \$66,846, which represents excessive contributions or contributions intended

for the General Election received prior to July 16, 1992; and by \$99,806, representing such contributions received between July 16 and September 2, 1992.

During the consideration of the Final Audit Report for the Primary Committee on December 15, 1994, the Commission considered the question of the application of private contributions to the Primary Committee's remaining net outstanding campaign obligations as of the date of each matching fund payment, versus treating most post date of ineligibility contributions as containing no election designation and therefore transferable to the Compliance Fund.

A motion was made to support the Audit staff analysis requiring the application of private contributions to the Primary Committee's remaining net outstanding campaign obligations before the payment of further matching funds. That motion failed by a vote of three to three with Commissioners Potter, Elliott and Aikens voting in favor and Commissioners McDonald, McGarry and Thomas voting against. A second motion to consider all post date of ineligibility contributions unmatchable unless specifically designated for the primary election also failed by the same vote. As a result of these Commission votes, the Compliance Fund will not be requested to return \$1,353,397 to Primary Committee as recommended by the Audit staff.

## B. Clinton/Gore '92 Committee

### 1. Apparent Prohibited Contribution

Sections 116.3(b) and (c) of Title 11 of the Code of Federal Regulations state that 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 provided that the credit is extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation. Further, in determining whether credit was extended in the ordinary course of business, the Commission will consider whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit; whether the commercial vendor received prompt payment in full if it previously extended credit to the same candidate or political committee; and whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

The Audit staff reviewed an invoice from Chambers Associates, Inc., in the amount of \$117,316 for professional fees and expenses. This invoice stated that it was "for services performed and costs incurred prior to the November 1992 General Election." The General Committee paid this invoice on March 19, 1993. It was also noted that this was the only payment made to this vendor by the General Committee.

In response to the exit conference, the General Committee provided invoices from the vendor to document in more detail the \$117,316 in expenses. According to these invoices, expenses were incurred beginning in August and continued until the time of the election. The General Committee also stated that "Chambers Associates provided services in October related to economic issues. The original invoice was submitted to someone on the campaign staff in December or January but was misplaced. When the omission [sic] was noted, the Committee requested that the vendor provide another invoice which was received and paid in March." However, there was still no documentation from the vendor to demonstrate when this amount was originally billed and any subsequent billings or efforts to collect this amount.

Based upon the available information, the Interim Audit Report concluded that the extension of credit for this amount and length of time did not appear to be in the ordinary course of business and resulted in a prohibited contribution pursuant to 11 CFR §116.3.

The Interim Audit Report recommended that the General Committee provide documentation, to include but not be limited to, statements and invoices from the vendor detailing all billings and efforts to collect this amount, and explanations to demonstrate that the extension of credit from this vendor was in the ordinary course of business and did not represent a prohibited contribution pursuant to 11 CFR §116.3. The information was to include examples of other customers or clients of similar size and risk for which similar services had been provided and similar billing arrangements had been used. Also, information concerning billing policies for similar clients and work, advance payment policies, debt collection policies, and billing cycles should be provided.

In response to the Interim Audit Report, the General Committee provided an affidavit from the President of Chamber Associates, Inc., which states that:

"Our firm uses three methods of billing in its normal course of business. One method is to bill by project and to submit a bill upon completion of that project. We are currently involved in two other projects which are also being billed on a completion of project basis.

"The bill was prepared and sent in January, 1993, as soon as practical upon completion of the work we did for the Campaign Committee, and was carried as an account receivable along with other client bills which were prepared and sent at approximately the same time. Several factors contributed to the timing of the billing. First, since so many travel and other incidental expenses were incurred, we wanted to make

030/0124499

certain we had received all invoices so a correct accounting could be made. Second, my assistant and I took a leave of absence from our firm after this project was completed for approximately two and one-half months. I approve all bills before they leave our office, and because this bill was very detailed, additional time elapsed before I had the time to review it carefully. Finally, once satisfied that the bill was accurate and complete, it was inadvertently sent to the wrong office. Our office then sent another invoice to the Campaign Committee which was received and paid in March, 1993. Accordingly, the billing was paid within 60 days of issuance of the original invoice which is well within the timeframe for receipt of payment from our non-political clients and, accordingly, within the ordinary course of our business.

0 5 0 / 0 1 9 4 6 1 0 / 0 5 0

"For a billing which is straightforward and uncomplicated; the issuance of an invoice would occur no earlier than the month following completion of the project (anytime from the first through the middle of that month.). For example, even for a project completed in November, 1992, which did not require extensive, complicated accounting of expenses, our invoice would have been issued no earlier than mid-December, 1992. As noted above, however, this case involved a very complex billing process because of the number of travel and incidental expenses and the need to be especially accurate in order to ensure that all expenses incurred were properly accounted for and billed. Despite the complex accounting required for this billing, the invoice in this case nevertheless was issued within a short period of time from the earliest possible date of issuance had it been a straightforward, simple billing."

"Chambers Associates did not provide the Campaign Committee with an extension of credit outside its normal course of business. Moreover, as demonstrated above, there was no intention by Chambers & Associates to make a contribution. All aspects of the billing process were handled within the normal course of business."

Based upon the documentation submitted, it appears that the General Committee has demonstrated that this billing did not constitute an extension of credit outside of the normal course of business. Chambers Associates, Inc. was able to provide names of other clients who are billed under a similar arrangement and was also providing services consistent with its normal business practices. Given the above, the Audit staff does not believe that the General Committee received a contribution resulting from an extension of credit outside of the ordinary course of business.

## 2. Itemization of Refunds and Rebates

Section 434(b)(3)(F) of Title 2 of the United States Code requires that each report include 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) of Title 2 of the United States Code defines, in part, the term "identification" to be the name and mailing address of such person. Section 431(11) of Title 2 of the United States Code defines, in part, the term "person" to include an individual, partnership, committee, association, corporation, labor organization, or any other organization or group of persons.

The General Committee's receipt records were reviewed by the Audit staff to determine whether offsets to operating expenditures requiring itemization were disclosed properly. The Audit staff noted problems with respect to the disclosure of receipts from Worldwide Travel, Inc. ("Worldwide"). The General Committee utilized Worldwide to handle billings and receipts relative to press and U.S. Secret Service travel. As Worldwide received moneys, it would deduct credit card fees and a commission for its services. The net amount would then be transferred to the General Committee and reported on its disclosure reports as a receipt from Worldwide. There were no corresponding entries detailing the press organizations who actually paid for the travel. In addition, credit card fees and the fee charged by Worldwide for its services were not reported as a related disbursement.

When apprised of this at the exit conference, a General Committee official stated she thought that they had received Commission guidance concerning this but said she would have to check before she could respond.

Subsequent to the exit conference, the General Committee again stated that "Committee staff was advised by someone at the FEC that its methods of reporting receipts for press travel from Worldwide complied with the reporting requirements of FECA." The General Committee also responded that its "method of reporting is consistent with the reporting requirements applicable when refunds and payments are received by a committee through a commercial vendor."

The Interim Audit Report concluded that, since Worldwide acted only as a billing/collection service, the amounts received from each press agency and the Secret Service should be disclosed on Schedules A-P as a memo entry to support each amount received from Worldwide. In addition, adjustments for the credit card fees deducted and commission charged by Worldwide should have been disclosed as memo entries on Schedule B-P.

The Interim Audit Report recommended that the General Committee file amended Schedules A-P and B-P to disclose the offsets to expenditures, credit card fees, and commissions.

In response to the Interim Audit Report, Counsel for the General Committee states that "the Committee contends 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. The General Committee's response states that:

"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 [Advisory Opinion] 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 held 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 [sic] 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 form [sic] 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 consistant [sic] with the requirements of § 434(b)(3)(f), § 104.3(a)(4)(v) of the regulations and AO 1983-25. The Committee believes that the auditors now are taking the position that the Worldwide reimbursements must be itemized simply because most committees have collected these refunds themselves and have not used a third party vendor to collect press and secret service reimbursements.

"Although the 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, and will be filing them shortly."

Advisory Opinion ("AO") 1983-25 addresses a media vendor, contracted by a committee to administer its media production and media buys, and who, in the course of performing its duties would make disbursements to various advertising entities. In the case at hand, the General Committee paid for the chartering of aircraft, maintained travel manifests which identified the number of press, secret service and General 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 General Committee. The monies received from Worldwide did not represent a refund of General 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.

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.

Based on its responses and documentation provided to date, the General Committee has not addressed all the factors noted above.

Therefore, the receipts should have been disclosed as refunds from the organization which was the actual source of those funds. The press and Secret Service were the providers of the refunds to the General Committee. Worldwide Travel was merely a conduit for the receipts of those refunds.

The General Committee also states that "informal advice" was received from the Audit staff. The Audit staff is unaware of any advice given to the General Committee concerning this matter. In addition, the General Committee has been unable to identify the person who provided this advice.

Although amended Schedules A-P were not submitted with its response to the Interim Audit Report, the General Committee has recently filed amended reports that adequately address this matter.

### 3. Reporting of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code states that each report shall disclose the amount and nature of outstanding debts and obligations owed by or to such political committee; and where such debts and obligations are settled for less than their reported amount or value, a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the consideration therefor.

Section 104.11 of Title 11 of the Code of Federal Regulations states, in part, that debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. In addition, a debt, obligation, or written promise to make an expenditure, the amount of which is \$500 or less, shall be reported as of the time payment is made or no later than 60 days after such obligation is incurred, whichever comes first. Any loan, debt or obligation, the amount of which is over \$500, shall be reported as of the date on which the debt or obligation is incurred.

From the Audit staff's review of selected disbursements, we determined that the General Committee did not materially disclose its debts and obligations on Schedule D-P. Our review of General Committee invoices and related payments indicated outstanding debts and obligations totaling \$1,207,730 which were not reported as required on the General Committee's disclosure reports.

At the exit conference, General Committee representatives were provided photocopies of schedules detailing these debts and obligations. General Committee officials provided no explanations for these omissions.

Subsequent to the exit conference, documentation submitted by the General Committee stated that "the Committee reported its debts and obligations as of the time the check request was approved and received in the accounting department. The Committee believes that its method of reporting debts was in full compliance with the reporting requirements." In addition, the General Committee provided a detailed schedule listing the dates on which the invoices were recorded.

The Audit staff found the General Committee's response to be without merit. The Regulation determines when a debt shall be reported. The date the obligation is incurred is relevant, not the date on which a committee records an obligation.

The Interim Audit Report recommended that the General Committee file amended Schedules D-P to disclose the debts and obligations.

In response to the Interim Audit Report, Counsel for the General Committee states that "subsequent to the exit conference, the Committee provided the auditors with a schedule listing the dates on which the invoices questioned by the auditors were reported. The Committee sees no sense in amending its reports to disclose information that the Committee did not have in its possession at the time those reports were originally filed.

"The Committee does not dispute that debts and obligations in excess of \$500 must be reported when the obligation is 'incurred.' 11 C.F.R. § 104.11. However, the Committee's accounting staff which was responsible for entering debts and compiling the information to produce the debt schedules had no information concerning those debts until such time as the information regarding the debts was submitted to the accounting department. ~~The Committee is somewhat mystified as to how it was supposed to know about debts prior to the time they were entered into the accounting system. The only way the Committee could have done this during the course of the campaign would have been to amend the prior month's debt schedule each month when the current month's disclosure report was filed. Certainly it would be a complete waste of time and serve no purpose to amend the debts schedules now to move debts from one monthly period to another monthly period.~~"

In addition, the General Committee states that its CPA discussed this issue with a member of the Audit staff who "acknowledged that the Committee could not very well report debts of which it was unaware." The General Committee then concludes that no further action regarding this recommendation is warranted."

Again, the Audit staff does not find the General Committee's position to be convincing. While the Audit staff does understand that something not known to the General Committee can not be reported, it is noted that reports are not filed the day after the end of a reporting period. Committees have a reasonable period of time to insure that reports filed are accurate and complete. Further, there is nothing to preclude a committee from filing amended disclosure reports once additional information becomes known. In addition, the review allowed a period from the date of the invoice for delivery to the General Committee when determining which debts were to be reported. Thus, we believe that the General Committee was allowed ample opportunity to receive invoices and report them as debts as necessary.

950/9194405

To date, amended Schedules D-P have not been filed by the General Committee.

I. Findings and Recommendations - Repayment Matters

A. Apparent Prohibited Contributions

Section 9003(b)(2) of Title 26 of the United States Code provides that in order to be eligible to receive any payments under section 9006, the candidate of a major party in a presidential election shall certify to the Commission, under penalty of perjury, that no contributions to defray qualified campaign expenses have been or will be accepted by such candidate or any of their authorized committees except to the extent necessary to make up any deficiency in payments received from the fund.

Section 9007(b)(3) of Title 26 of the United States Code states that if the Commission determines that the eligible candidates of a major party or any authorized committee of such candidates accepted contributions (other than contributions to make up deficiencies in payments) to defray qualified campaign expenses, it shall notify such candidate of the amount of the contributions so accepted, and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 441b(a) of Title 2 of the United States Code states, in relevant part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any election for federal office or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section, or any officer or any director of any corporation to consent to any contribution or expenditure by the corporation prohibited by this section.

In addition, Section 100.7(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that the term contribution includes a gift, advance or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.

Section 100.7(a)(1)(iii)(A) of Title 11 of the Code of Federal Regulations states that for purposes of 11 CFR 100.7(a)(1), the term "anything of value" includes all in-kind contributions. Unless specifically exempted under 11 CFR 100.7(b), the provision of any goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services is a contribution. Examples of such goods and services include, but are not limited to: Securities, facilities, equipment, supplies, personnel, advertising services, membership lists, and mailing lists. If goods or services are provided at less than the usual and normal charge, the amount of the in-kind contribution is the difference between the usual and

normal charge for the goods or services at the time of the contribution and the amount charged the political committee.

Further, 11 CFR §100.7(a)(1)(iii)(B) defines, in relevant part, "Usual and normal charge" for goods as the price of those goods in the market from which they ordinarily would have been purchased at the time of the contribution.

During the Audit staff's review of disbursements and offsets to expenditures, we identified nine transactions which appeared at the time of the Interim Audit Report to result in prohibited contributions to the General Committee. The total of those apparent prohibited contributions was \$153,625. A discussion of the circumstances surrounding those transactions follows:

1. Donated Equipment

Included with invoices to support a payment to a General Committee vendor were additional invoices which indicate that the vendor donated sound equipment for use during a rehearsal for a press conference to be held in Atlanta, Georgia. The stated value of this donated equipment was \$1,070. The General Committee was provided documentation relative to this matter during fieldwork. ~~The matter was also addressed at the exit conference.~~

Subsequent to the exit conference the General Committee stated, "as is customary practice for the company, the equipment for the rehearsal was made available at no charge because it was not rented for that time."

The Audit staff was not aware of the customary practice for providers of sound equipment. Absent a statement from the vendor demonstrating that this was indeed customary practice, it was our opinion that this transaction resulted in an in-kind contribution of \$1,070.

The Interim Audit Report recommended that the General Committee provide documentation to include a statement from the vendor addressing this matter, and any relevant comments to demonstrate that it did not receive an in-kind contribution totaling \$1,070.

In response, the General Committee provided an affidavit from the President of the company. He stated that "concerning the use in question, I arrived at the event location and began setting up for the scheduled event. In the course of doing so, I noticed that the Committee was holding a rehearsal session. As I have done with many of my non-political clients, I approached Committee members and asked if they would like to have sound support for the session. I informed them that since the equipment and I were already present and there was no conflicting engagement, I would turn the equipment on for the rehearsal. As this represented no additional financial, resource, or time

obligation on my part or of my company, I did not require an extra charge. As is our standard practice, although no charge was incurred, I prepared an invoice to maintain equipment accountability." He goes on to name other clients for which he has behaved similarly and in closing states "...at no time did I intend this action to constitute a campaign contribution...".

The General Committee has complied with the recommendation contained in the Interim Audit Report. Upon reviewing the additional documentation provided, the Audit staff is satisfied that a contribution did not occur.

## 2. Payment Not Made by the General Committee

Upon reviewing documentation for payments to the General Committee's vendors, the Audit staff identified a payment credited to the General Committee's account with Opinion Research Calling which could not be associated with any payments made by the General Committee. This vendor, along with Greenberg-Lake, handled polling for the General Committee. The vendor provided an invoice summary which detailed charges and payments to the General Committee's account. Included on this summary was a \$13,130 payment made on 10/14/92. The Audit staff could not identify a related payment from General Committee bank accounts. The matter was addressed at the exit conference.

Subsequent to the exit conference, documentation provided by the General Committee states that "the \$13,130 came from Greenberg-Lake to pay for National Poll #19. It was paid for from funds they had received from Clinton/Gore General account." Based on documentation reviewed, it was apparent that Greenberg-Lake and Opinion Research Calling worked together on polls for the General Committee. The Audit staff reviewed documentation from Greenberg-Lake which contained an invoice summary for all charges and payments related to the General Committee. There was no indication on this summary that the General Committee was billed relative to National Poll #19. As a result, the documentation was still not available to demonstrate that this payment came from Greenberg-Lake and/or the General Committee.

The Interim Audit Report recommended that the General Committee provide documentation and any relevant comments to demonstrate that the payment was not a contribution; document the \$13,130 payment (to include a copy of the negotiated check); and to explain the relationship between the vendors.

In response, the General Committee stated that "subsequent to the Exit Conference, the Committee explained to the auditors that Opinion Research Calling worked with Greenberg-Lake on general election polls, and advised the auditors that the vendors informed the Committee that Greenberg-Lake paid Opinion Research. The Committee has requested additional documentation regarding this and will forward it as soon as it is available."

In a letter subsequently submitted by the General Committee, the Executive Manager of Greenberg Research, Inc. (formerly Greenberg-Lake) states that the "poll was neither performed for nor paid for by Clinton/Gore '92." National poll #19 was conducted for Victory Fund '92 and "Opinion Research erroneously listed Clinton for President as payee on its invoice to [Greenberg Research, Inc.]." Further documentation provided by the General Committee to support its explanation included photocopies of an invoice to Victory Fund '92 and a canceled check showing the payment was made by D.N.C. Services Corp. - General Fund.

The General Committee has complied with the recommendation contained in the Interim Audit Report. Upon reviewing the additional documentation provided, the Audit staff is satisfied that a contribution did not occur.

### 3. Deposits Credited to General Committee Bills

From various reviews conducted throughout the audit, the Audit staff noted three deposits that were credited to General Committee bills. The source(s) of the funds used to make these deposits could not be identified or verified. The total of these deposits was \$28,325.

Two of these deposits involved phone companies. When reviewing refunds received by the General Committee, we noted that the General Committee was credited with a \$7,800 deposit made to one company and a \$19,525 deposit to another company. However, from our review of documentation relative to these vendors, it appeared that the General Committee did not make these deposits.

The remaining deposit related to a vendor that provided sound and staging to the General Committee. Documentation from this vendor in support of a General Committee payment contained a credit for a \$1,000 deposit which did not appear to have been made by the General Committee. These matters were presented at the exit conference. Subsequent to the exit conference, the General Committee stated that "the \$1,000.00 has been paid with check #12577 issued on 10-8-93." This response did not explain the source of payment of the \$1,000 deposit credited on the original invoice from the vendor. Therefore, it still appeared that a \$1,000 payment was made to the vendor by someone other than the General Committee.

The Interim Audit Report recommended that the General Committee provide documentation and a statement from each vendor documenting the source of these funds, and any relevant comments to demonstrate that the items did not constitute contributions.

In response, the General Committee provided documentation to support the deposits paid to the phone companies.

With respect to the \$7,800 to one of the phone companies, the General Committee provided documentation for a cashiers check which demonstrated that the General Committee made the deposit in question. For the \$19,525 in deposits to the other phone company, the General Committee provided documents demonstrating payment of the deposits that establishes that \$19,100 was paid by the Primary Committee and that the General Committee has refunded this amount accordingly. The remaining \$425 is not material.

Although, the General Committee demonstrated that it did not receive contributions relative to the two phone companies, there was no response to the item for sound and staging. As noted above, the General Committee made a \$1,000 payment to the vendor in October of 1993 but there has been no documentation provided to establish the source of the original deposit. Therefore, it still appears that the General Committee received a \$1,000 contribution.

#### 4. Amended Contracts

During the course of the campaign, the General Committee entered into contracts with four media related vendors, that called for consulting payments to be made on specific dates. Prior to the last payment date, the General Committee entered into ~~amended media services agreements with these four vendors.~~ One of the stated reasons for the amended agreements was that the "Consultant and the Committee recognized that certain of the services provided by Consultant were for the benefit of the Democratic National Committee rather than the Committee." The amended agreements further stated that the Democratic National Committee ("DNC") and the vendor are entering into separate contracts "with respect to that portion of the Consultant's services to be provided to the DNC." The DNC did not report any payments to these vendors as coordinated party expenditures pursuant to 2 U.S.C. §441a(d)(2) 6/. General Committee representatives were questioned about these amendments during fieldwork. They provided no response at that time.

At the exit conference, General Committee representatives explained that during the course of the election, it became apparent that these vendors were also performing services for the DNC and that it was recognized that the DNC should pay for part of the services. The Audit staff responded that more detail was needed to explain why part of the services provided were the responsibility of the DNC and not of the General Committee. The portions of the original amount contracted for, which the General Committee did not pay, total \$111,100.

Subsequent to the exit conference, the General

6/ The DNC reported that \$9,682,375.38 of its \$10,331,703 National Party Limit for the 1992 Presidential (General) Election had been expended through June 30, 1994.

Committee responded that "these contracts were amended to reflect the services actually performed by the individuals who were also working for the DNC. Their services for the DNC were on generic democratic media." This did not provide any more detail than the General Committee's response at the exit conference.

The Interim Audit Report concluded that, absent documentation to demonstrate that the services provided related to the DNC, the General Committee had received contributions totaling \$111,100.

The Interim Audit Report recommended that the General Committee provide statements and documentation from the DNC and the media vendors demonstrating the services provided related to the DNC, and any relevant comments to demonstrate that the amended contracts do not result in a contribution.

In response, the General Committee states that "according to the terms of the contracts themselves, which were provided to the auditors during fieldwork, the contracts were amended because it became apparent that the services required of the vendors were different than originally anticipated. It is clear from the terms of the contracts that they were amended because the four vendors would be providing fewer services to the ~~Committee than anticipated in the original contracts.~~ Instead, each of the four vendors also began working for the DNC. The auditors were specifically advised that the services for the DNC were on generic media. As the auditors well know, generic media is that which does not mention any specific candidate and therefore which does not have to be allocated to any candidate. There is nothing in the Act or regulations that prevents a committee from amending its contracts, and it is clear that generic media need not be allocated to any candidate's campaign committee. We are, therefore, somewhat at a loss as to what the auditors think they need or are entitled to concerning the services provided by these four vendors."

"The Committee believes that it is absurd for the auditors to allege an impermissible contribution on the basis of an amended contract that calls for reduced services to the Committee. However, even though the auditors have no basis for suggesting that these vendors, the DNC or anyone else, made contributions to the Committee amounting to \$111,100, we have obtained from the DNC copies of the four vendors' contracts with the DNC and a letter from DNC General Counsel regarding the services provided to the DNC. It is clear from the amended contracts themselves, and from the additional documentation provided, that no contribution resulted to the Committee from the amendment of these contracts."

The letter from the DNC General Counsel states that the DNC has sent copies of contracts with the four vendors which "will confirm that, according to our records, these payments were made for creative and consulting services in connection with the

production of generic media, i.e., media which urged support for the Democratic Party and its candidates without mentioning a specific candidate." The contracts all state that "Consultant shall provide the DNC with the following services:

- o Writing of generic Democratic television advertising and radio commercials.
- o Production of generic Democratic television and radio commercials.
- o Writing, design and layout of generic Democratic print ads."

It is noted that the contracts between the vendors and the DNC provide for the DNC to pay approximately 24.4% of the total amount originally to be paid by the General Committee. These contracts call for the vendors to provide services from September 8, to November 15, 1992. However, the contracts were not signed by a representative of the DNC until October 26, 1992, and were signed shortly thereafter by the vendors. With respect to the amended contracts between the vendors and the General Committee, the dates on the amended contracts are October 15, 1992. However, there is no indication of when the contracts were actually signed by the vendors.

There was no documentation provided from the media vendors detailing the services provided. Although the Audit staff is aware of what generic media means, there has been no documentation provided to demonstrate that the services provided by the vendors to the DNC were different from the services originally contracted to be provided. Also, there is no indication how the General Committee and the DNC determined that approximately 24.4% of the work provided related to the DNC. Given the timing of the contracts between the DNC and the vendors, as well as the amendments between the General Committee and the vendors, there is no explanation why the General Committee and the DNC did not realize earlier that the work being performed by the vendors was related to both committees. Therefore, sufficient documentation has not been provided to demonstrate that \$111,100 in contributions did not occur.

In conclusion, it appears to the Audit staff that the General Committee has received \$112,100 (\$1,000 + \$111,100) in prohibited contributions and a repayment to the U.S. Treasury is warranted.

Recommendation #1

The Audit staff recommends that the Commission make an initial determination that the General Committee is required to make a \$112,100 repayment to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(3).

B. Apparent Non-Qualified Campaign Expenses

Section 9002(11) of Title 26 of the United States Code defines, in part, the term "qualified campaign expense" as an expense incurred by the candidate of a political party for the office of President, by the candidate of a political party for the office of Vice President, by an authorized committee of the candidates of a political party for the offices of President and Vice President to further the election of either or both of such candidates to such offices. In addition, neither the incurring nor payment of such expense shall constitute a violation of any law of the United States or the State in which such expense is incurred or paid.

Section 9007(b)(4) of Title 26 of the United States Code states, in part, that if the Commission determines that any amount of any payment made to the eligible candidates of a political party 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 candidates of the amount so used, and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 9003.5(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) are qualified campaign expenses as defined in 11 CFR 9002.11.

Section 9007.2(b)(2) of Title 11 of the Code of Federal Regulations states, in relevant part, that if the Commission determines that any amount of any payment to an eligible candidate from the Presidential Election Campaign Fund was used for purposes other than to defray qualified campaign expenses, it will notify the candidate of the amount so used, and such candidate shall pay to the United States Treasury an amount equal to such amount.

1. Apparent Duplicate Payments

During our review of disbursements, the Audit staff discovered expenses incurred by the General Committee which appeared to have been paid more than once by the General Committee. We identified 28 such payments to 13 vendors totaling \$21,614. The General Committee was made aware of these items during the course of audit fieldwork and at the exit conference.

Subsequent to the exit conference, the General Committee provided additional documentation which demonstrated that some of these payments (about \$12,945) had subsequently been refunded. Most of these refunds (about \$8,907) occurred in September and October of 1993, after the conclusion of audit fieldwork.

At the time of the Interim Audit Report, there remained 12 payments to 4 vendors totaling \$8,669 which appeared to be duplicate payments; the funds had not been recovered. For some of those payments, the General Committee had acknowledged that a duplicate payment had occurred and that refunds would be forthcoming. For others, the General Committee stated that the payments were applied to amounts outstanding. However, documentation had not been provided to confirm this. The Interim Audit Report stated that if any of the funds were recovered from the vendors or the documentation to demonstrate application of these amounts was provided, the amount subject to repayment would be reduced accordingly. The amounts of duplicate payments recovered (\$12,945) and outstanding (\$8,669) were included on the NOQCE as accounts receivable due from the respective vendors.

In the Interim Audit Report, it was recommended that the General Committee submit documentation to demonstrate that apparent duplicate payments were either applied to other invoices or had been recovered. Absent such a demonstration, the Audit staff would recommend that the Commission make an initial determination that the General Committee was required to make a repayment of \$8,669 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

In response, the General Committee stated that \$694 had been refunded to the General Committee, but only submitted documentation to demonstrate that \$340 had been refunded. Documentation was also provided to demonstrate that an additional \$641 was uncollectible. Finally, Counsel for the General Committee states that another vendor has acknowledged a credit balance of \$1,496 and the General Committee is still attempting to resolve the remaining \$6,479.

The Audit staff notes that the uncollectible duplicate payment of \$641 remains a non-qualified campaign expense subject to repayment. Further, although the General Committee states that a vendor has acknowledged a credit balance (\$1,496), it does not appear that the amount has been recovered.

Therefore, based upon the above, \$340 has been resolved, which leaves an unresolved amount of \$8,329 (\$8,669 - \$340) which is repayable to the U.S. Treasury (see Attachment 2).

#### Recommendation #2

The Audit staff recommends that the Commission make an initial determination that the General Committee is required to make a repayment of \$8,329 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

## 2. Non-Campaign Related Activity

From our review of disbursements and the associated documentation made available by the General Committee, the Audit staff identified 16 disbursements totaling \$87,077 which appeared to be for purposes other than to defray qualified campaign expenses.

Of the 16 items, 8 disbursements totaling \$70,296 were payments for rented equipment not returned or lost. Included was a disbursement of \$34,768 to Alamo Rent A Car ("Alamo") for two missing vehicles. One of these vehicles was rented in Florida and the other in Texas.

In response to the exit conference, the General Committee provided an explanation which detailed its attempts to recover the vehicles. From this documentation, it appeared that the campaign staff who rented the vehicles allowed them to be used by a number of persons and eventually lost track of who had the vehicle. In both cases, the General Committee had not been able to determine who last had possession of the vehicles. Without this information, both Alamo and the General Committee were precluded from filing stolen vehicle reports with the appropriate authorities. The other seven payments were for items such as computers and communication devices which had been lost. The General Committee also stated in response to the exit conference that it was self-insured and that it was cheaper to pay for lost equipment than to maintain insurance.

The remaining 8 items did not appear related to the general campaign. One was a payment of \$350 for business cards invoiced after the close of the expenditure report period and another was a \$4,351 payment for installation of phones in New Jersey in 1993. Three payments totaling \$1,100 appeared to be activities related to the post-election transition and two payments totaling \$2,251 were for the travel expenses of individuals attending the inauguration. In response to the exit conference, the General Committee stated that it has reviewed these payments and has requested reimbursement from the appropriate entities.

The remaining item was a \$8,730 payment in February, 1993, to Wright, Lindsey & Jennings. This payment was for retainer services and expenses incurred by the firm. The description on the invoices was for "Incorporation & General Advice." The firm provided invoices to support the incurrence of the expenses. Two of the expenses were to "file Articles of Incorporation for Little Rock '92 Election Host Committee, Inc.." This was the only documentation available to support the nature of the incorporation and general advice. The Little Rock '92 Election Host Committee was not affiliated with the General Committee, but was a corporation registered with the Arkansas Secretary of State. Therefore, it appeared, based on the

documentation made available, this payment was not made to defray a qualified campaign expense.

The Interim Audit Report recommended that the General Committee submit documentation which demonstrates that the expenses noted above were qualified campaign expenses. The documentation was to include, but not be limited to, information on factors such as the relative value of the lost equipment and methods employed by the General Committee to safeguard the equipment. Absent such a demonstration, the Interim Audit Report stated that the Audit staff would recommend that the Commission make an initial determination that the General Committee is required to make a repayment of \$87,077 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

In response, the General Committee provided documentation, memoranda, and made a number of arguments in an attempt to demonstrate that these disbursements were for qualified campaign expenses. The General Committee responses to the various items in question are discussed below:

The General Committee provided memoranda, explanations, a letter from its insurance agent, and a written equipment security policy in its reply to the 8 disbursements totaling \$70,295 for lost equipment. The General Committee states that "the Committee objects to treatment of these payments as non-qualified campaign expenses."

"Throughout [sic] the general election, the Committee and its members exercised great care in the maintenance and security of leased equipment. Each incident cited by the Audit Division was investigated at the time of loss for both potential recovery of equipment and to discover any potential misconduct or gross negligence on the part of a Committee member. It is the Committee's position that there was no evidence of misconduct or gross negligence on the part of any Committee member, and thus it was unnecessary to execute the Committee's policy of withholding salaries upon the discovery of evidence of misconduct or gross negligence. As the letter from the the Committee's insurance agent indicates, it was not commercially [sic] feasible for the Committee to have purchased insurance to cover such losses. First, in order to negotiate a deductible low enough to have permitted loss recovery, the applicable permium [sic] would have been cost prohibitive (the Committee's deductible was \$5,000). Secondly, given the staff fluctuations associated with typical campaign environments and the tremendous geographical regions that would require coverage, the cost for insurance, to the extent available at all, would have far exceeded its value to the Committee.

"In light of the prohibited cost of commercial insurance the only commercially reasonable and fiscally responsible alternative for the Committee was self insurance [sic]. 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. (Committee payments for non-auto rental equipment represented only 1.4% of the total monies spent on leases while auto rental losses were only 1.4% of the total as well). Ultimately, not only was the decision to self insure the only available option, but also the wisest. As most of these losses occurred [sic] during advance team travel, and were not revealed until team members had departed the event site, police reports were not practicable. In the case of the rental vehicles [sic], the Committee attempted but was not permitted to file such a report. The Committee went to great lengths both to recover the vehicles [sic] and to recover their costs from the appropriate insurance agencies. However, as explained in the exhibits, the Committee was unable to either recover the vehicles or ~~submit this loss for insurance reimbursement.~~

With respect to the two missing vehicles, the General Committee provided a letter from its insurance agent, memoranda from a staff person, and a letter from Alamo. The agent states, in part, that:

"...by requiring that cars leased by advance team people be covered for liability on a primary basis through the lease company we transferred the exposure to the lease company and thereby, effectively provided a first layer of protection that the campaign had between it and any... claims...I would further point out that any number of autos had accidents during the campaign. Because the rental company was primary, we did not pay...Remember we protected the campaign against catastrophic risk. The campaign chose to self-insure relatively smaller exposures because it was prudent business practice and it saved money."

In addition, the letter from Alamo states that:

"...even though we are the owners of these vehicles, we cannot report them stolen because they were rented to the Clinton for President Campaign. In the case of the Dallas rental, the police in Dallas have taken the position that if a 'permission user' (someone who was given the keys) is involved, no crime has occur[ed]. Therefore, they will not take a stolen vehicle report."

"If the vehicle was left in a specific location we need either: (A) A statement from the last person who had the vehicle as to what happened to the vehicle, OR (B) The last person who has [sic] the vehicle needs to report it stolen to the police.

"As to the Miami rental, until we can determine who last had the car, the police will not take a stolen vehicle report from us. The same things would be required as in A and B above. Failing that, the only way we could report the car stolen would be to report it as a failure to return" by the person who rented the car "which would result in a warrant being issued for his arrest."

For the lost equipment other than the automobiles, the response included another letter from its insurance agent which discusses Fidelity Coverage and a copy of the General Committee's "Loss Prevention Policy."

The letter from the insurance agent notes that the quote for an insurance premium included the accounting department located in Little Rock. The letter states, in part, that "as time progressed and controls were instituted, the issue of fidelity nationally became less important at locations other than headquarters." The rates quoted were based on the campaign self-insuring the first \$25,000 of any loss and coverage was limited to catastrophic loss at the General Committee's primary location. The General Committee "self-insured small exposure and minimized the change by designing controls into its organization, i.e. no cash transaction."

With regard to its "Loss Prevention Policy", the General Committee states that "once each piece of equipment in the inventory was associated with a department and individual staff member, we sent out departmental inventory lists to each department head so that he/she could verify the information. After receiving confirmation from each department head, we issued a memo to staff and department heads stating our policy.

1. Unreturned equipment was the financial responsibility of the user (as indicated on the inventory).
2. If the equipment was not returned, the cost of replacing that equipment was deducted from the user's final paycheck.
3. The value of the equipment was included as taxable income on the user's W-2 form.
4. All equipment used by the department in general was the financial responsibility of the department head.
5. Unreturned general use equipment was deducted from the department head's final paycheck.

6. Unreturned general use equipment was included as taxable income on the department head's W-2 form.
7. Any individual responsible for any unreturned equipment had a note made in campaign personnel records, and this point was included when recommendation requests were made regarding future employment.

All of these points were made in a memo to staff. We did not have to penalize many; however, if it was necessary, we had provided the notification required to allow us to do so." The memo also discusses steps taken to increase security measures in the building.

The Audit staff does not find the General Committee's arguments to be persuasive. The 8 disbursements totaling \$70,296 are still considered to be non-qualified campaign expenses (see Attachment 3). With respect to the lost vehicles, it is apparent that some individuals working for the General Committee did not exercise due care in keeping track of the vehicles. As noted in the letter from the insurance agent, primary insurance coverage was maintained through the rental agency and catastrophic loss was covered by the insurance company. However, due to the circumstances surrounding the disappearance of the vehicles, neither the General Committee nor the rental agency could file a stolen vehicle report. The General Committee's subsequent attempts to recover the vehicles do not relieve the campaign of its obligation concerning these vehicles. Although the campaign states it had a "Loss Prevention Policy" to cover such losses of equipment, "it is the Committee's position that there was no evidence of misconduct or gross negligence on the part of any Committee member, and thus it was unnecessary to execute the Committee's policy." The General Committee provided no documentation to demonstrate how these determinations were made. The General Committee also states that a "relatively small amount" was paid for the replacement of lost equipment as compared to total monies spent on equipment leased. The General Committee again provided no documentation to support its calculation. However, the Audit staff believes that the percentage is irrelevant. As noted in Attachment 3, the payments for this lost equipment were not for small dollar items and we believe more prudent care should have been exercised. Although the General Committee was responsible for making the payments for lost equipment, these payments should be considered non-qualified campaign expenses and subject to repayment.

Finally, the General Committee also provided documentation for the remaining 8 items involving payments for other than lost equipment, which did not appear to be related to the campaign. The Audit staff's review of this documentation indicates that the payments were for qualified campaign expenses or the funds have been recovered.

Thus, it is the Audit staff's opinion that the General Committee has made 8 payments totaling \$70,296 which are deemed to be non-qualified campaign expenses (see Attachment 3).

### Recommendation #3

The Audit staff recommends that the Commission make an initial determination that the General Committee is required to make a repayment of \$70,296 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

#### C. Expenditure Limitation

Sections 441a(b)(1)(B) and (c) of Title 2 of the United States Code state, in relevant part, that no candidate for the office of President of the United States who is eligible under section 9003 of title 26 to receive payments from the Secretary of the Treasury may make expenditures in excess of \$20,000,000 as adjusted for the increases in the Consumer Price Index.

Section 9004(a)(1) of Title 26 of the United States Code states that the eligible candidates of each major party in a presidential election shall be entitled to equal payments under section 9006 in an amount which in the aggregate shall not exceed the expenditure limitations applicable to such candidates under Section 441a(b)(1)(B) of Title 2.

Section 9007(b)(2) of Title 26 of the United States Code states that if the Commission determines that the eligible candidates of a political party and their authorized committees incurred qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party were entitled under section 9004, it shall notify such candidates of the amount of such excess and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 9004.4(a) of Title 11 of the Code of Federal Regulations limits the use of such payments to expenditures for the following purposes: to defray qualified campaign expenses; to repay loans that meet the requirements of 11 CFR 100.7(a)(1) or 100.7(b)(11) or to otherwise restore funds used to defray qualified campaign expenses; and to restore funds in accordance with 11 CFR 9003.4 for qualified campaign expenses incurred prior to the beginning of the expenditure report period.

Section 9003.4(a) of Title 11 of the Code of Federal Regulations states, in relevant part, that a 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 his or her general election campaign. Examples given include expenditures for establishing financial accounting systems, organizational planning and polling.

Further, 11 CFR §9003.4(b), in relevant part, limits the sources of funds used to make expenditures prior to the expenditure report period to: a candidate obtaining a loan which meets the requirements for loans in the ordinary course of business; borrowing from his or her legal and accounting compliance fund; use of the candidate's personal funds up to his or her \$50,000 limit; and, for a candidate who has received federal funding under 11 CFR part 9031 et seq., borrowing from his or her primary election committee(s) an amount not to exceed the residual balance projected to remain in the candidate's primary account(s) on the basis of the formula set forth at 11 CFR 9038.3(c).

Section 9004.9(d)(1) of Title 11 of the Code of Federal Regulations states that the term capital asset means any property used in the operation of the campaign whose purchase price exceeded \$2000 when acquired by the committee. The fair market value of capital assets may be considered to be the total original cost of such items when acquired less 40% to account for depreciation.

Finally, 11 CFR §9003.3(a)(2)(ii) provides, in relevant part, that expenditures for computer services, a portion of which are related to ensuring compliance with Title 2 and Chapter 95 of Title 26, initially paid from the candidate's federal fund account may later be reimbursed by the compliance fund. A candidate may use contributions to the compliance fund to reimburse his or her federal fund account an amount equal to 70% of the costs (other than payroll) associated with computer services. Such costs include but are not limited to rental and maintenance of computer equipment, data entry services not performed by committee personnel, and related supplies.

The expenditure limitation for the 1992 general election for the office of President of the United States is \$55,240,000.

Based on our reconciliation of the General Committee's bank activity to its reported activity from its inception through June 30, 1993, and a review of reported activity from July 1, 1993, through June 30, 1994, the Audit staff determined that the General Committee disbursed \$64,920,993. From this figure the Audit staff deducted loan repayments (\$125,000), offsets to operating expenditures (\$7,012,115) and refunds from the Compliance Fund (\$2,595,000) for compliance-related expenditures to arrive at operating expenditures subject to the limitation of \$55,188,878.

In addition, the Audit staff determined that, with respect to our analysis of expenditures subject to the limitation, the following additional adjustments are necessary.

1. Amount Due to the General Committee from the Primary Committee

The Audit staff has included as an accounts receivable \$39,104 owed to the General Committee by the Primary Committee.

This amount includes payments by the General Committee for: a reimbursement (\$2,255) to Julia Payne for her convention-related expenses; an overpayment (\$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); and, AT&T telephone services relative to the Primary Committee (\$21,528).

At the exit conference, General Committee representatives had limited comments, and stated they would have no questions until they had reviewed our documentation. The Audit staff did not receive any documentation in response to the presentation of these items at the exit conference.

In response to the Interim Audit Report, the General Committee agreed that these items should be included, but believes the correct figure should be \$43,726. The Audit staff has reviewed the General Committee's calculations and has adjusted its analysis accordingly.

2. Amount due the Primary Committee from the General Committee for Payment of General Election Related Expenses

During the Audit staff's review of the Primary Committee's vendor files, numerous disbursements made by the Primary Committee 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 Primary Committee began moving into new office space. It was this location that the General Committee and Compliance Fund 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 at the Gazette Building, the Primary 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 completed by July 16, 1992, it is apparent that such services were in preparation for the general election campaign.<sup>7/</sup>

During the primary election period, the Primary Committee's records reflect the purchase of only small amounts of computer equipment. Instead, most equipment was leased. Also, the Primary Committee contracted with a Washington, D.C. firm for computer services. The firm prepared matching funds submissions including computer tapes, disclosure reports, and provided the computer tapes required for the audit. The Primary Committee had a computer terminal linked with the vendor. During the audit, the Primary Committee requested and was provided copies of the computer files obtained by the Audit Division directly from the vendor. Therefore, it does not appear that the Primary Committee's computer files were loaded from the vendor's system to the campaign's computer system until 1993.

Beginning at the end of May, 1992, the Primary Committee purchased a large amount of computer equipment, both personal computers and a larger system. In most cases a 40% depreciation allowance was taken and the computer equipment was then sold to the General Committee at 60% of the purchase price, net of sales tax.

Between May 28 and July 15, 1992, the Primary Committee purchased 50 personal computers, software, and supplies from The Future Now, Inc.. Between June 1, and August 9, 1992, the Primary Committee paid The Future Now, Inc. \$118,742. The General Committee purchased this equipment for 60% of the original cost, less sales tax.

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 Primary 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

<sup>7/</sup> Certain electrical work and data installation occurred July 10 through July 16, 1992.

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 Primary Committee 60% of this original cost, less sales tax.

The Primary Committee also purchased computer equipment from W.P. Malone. The Primary Committee paid a \$104,175 invoice dated June 30, 1992 on August 25, 1992. As with the other equipment purchased from the Primary Committee, the General Committee paid 60% of the amount.

In addition, W.P. Malone was paid \$33,260 on August 25, and November 9, 1992, by the Primary Committee for programming services and 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 Primary Committee submitted additional information. The Primary Committee objected to the Audit staff characterization of these payments as general election expenses. According to the Primary 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 Primary Committee stated that the initial computer system was inadequate for the Primary Committee's needs in the early months of 1992. The system was unable to accommodate the Primary Committee's expanding database and volume of correspondence, as well as to accommodate the Primary Committee's delegate tracking and communications.

The Primary Committee's response 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 Primary Committee could not meet its 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 Primary 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." In addition the Primary 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 the Primary 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 system and 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 Primary Committee had leased up to that time.

The total amount paid for computer equipment and related services described above is \$540,313 excluding I-K Electric. Given that: (a) the Primary Committee contracted with a Washington, D.C. firm for much of its computer work, (b) the Primary Committee leased the majority of its computer equipment, and (c) the purchases were not made and the temporary system not installed until nearly all primaries were over, with the permanent system 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, in the Interim Audit Report, it was concluded that the entire amount was considered to be general election expenses. The General Committee paid the Primary Committee \$285,923 for the computer equipment, leaving a balance due of \$254,390 (\$540,313 - \$285,923), plus \$79,808 for rewiring.

In addition to the above, the Primary 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 Primary Committee, the General Committee, and the Compliance Fund at all relevant times during the campaign. Identify the time periods that the various systems were used, and how each system was used by General Committee, and how the systems differed from each other.

In response to the Interim Audit Report, the General Committee submitted a chronology of the campaign's computer systems (Attachment 4). 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; and services provided by Public Office Corporation beginning in December of 1991 and continuing to the present.

° For the listed vendors provide the requested information:

W.P. Malone

~~Describe the system (CCI 6/32 Superminicomputer and related items) leased (or purchased) from this vendor by the Primary Committee by listing the hardware, software, and peripheral devices making up the system.~~

The 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 Primary Committee, the General Committee, or the Compliance Fund and when these items were moved to the Gazette Building from their 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 Primary 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.

Public Disclosure  
(Cooper)



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

FEB 0 10 00 AM '95

FEBRUARY 3, 1995

TO: COMMISSIONERS  
THROUGH: JOHN C. SURINA  
STAFF DIRECTOR  
FROM: ROBERT J. COSTA  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: REPAYMENTS RECEIVED FROM THE LAROUCHE DEMOCRATIC  
CAMPAIGN, CLINTON FOR PRESIDENT COMMITTEE, AND  
CLINTON-GORE '92 COMMITTEE

This informational memo is to advise you of three repayment  
checks received from three presidential committees as follows:

LaRouche Democratic Campaign (1988) - \$159,790.93

The check represents a final repayment for matching funds  
received in excess of entitlement and non qualified campaign  
expenses.

Clinton for President Committee - \$1,383,587

The check represents a final repayment for matching funds  
received in excess of entitlement, non-qualified campaign  
expenses, and stale dated checks.

Clinton-Gore '92 Committee - \$109,061

The check represents a partial repayment for apparent  
prohibited contributions, apparent duplicate payments, non  
campaign related activity, income earned on the investment of  
federal funds, and stale dated checks.

Attached are copies of the checks and the receipts showing  
delivery to the Department of the Treasury. Should you have any  
questions regarding the repayments, please contact Ray Lisi at  
219-3720.

Attachments as stated

95070124897



FEDERAL ELECTION COMMISSION  
WASHINGTON, D. C. 20543

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A REPAYMENT OF  
1988 PRESIDENTIAL PRIMARY MATCHING FUNDS

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a cashiers check drawn on Burke & Herbert Bank & Trust Co. (Check #209832) in the amount of \$159,790.93. The check represents a final repayment from the LaRouche Democratic Campaign representing matching funds received in excess of entitlement and non qualified campaign expenses.

The payment should be deposited into the Matching Payment Account

LaRouche Democratic Campaign  
Amount of Payment: \$159,790.93

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

95070194493

ESTABLISHED 1802

CHARTERED 1802

MEMBER  
FEDERAL  
RESERVE

# Burke & Herbert Bank & Trust Co.

209832

68-106  
560

REMITTER Case # 00658

Alexandria, Va January 25, 19 95

PAY TO THE ORDER OF \* U. S. Treas., Remitted through the Federal Elect. Comm. \$ 159,790.93

## CASHIER'S CHECK

THE PURCHASE OF A SURETY BOND WILL BE REQUIRED  
BEFORE THIS CHECK IS REPLACED DUE TO THEFT OR LOSS

*Cash* Betty R. DeHoff  
VICE PRESIDENT

⑈00209832⑈ ⑆056001066⑆ ⑈09⑈90001⑈2⑈

95070194009



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20543

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A  
REPAYMENT OF PRESIDENTIAL PRIMARY MATCHING FUNDS  
AND A  
PAYMENT TO THE GENERAL FUND OF THE U.S. TREASURY

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a check drawn on Worthen National Bank (Check #15433) in the amount of \$1,383,587. The check represents a final repayment from the Clinton for President Committee for matching funds received in excess of entitlement (\$1,072,344), non-qualified campaign expenses (\$270,384) and stale dated checks (\$40,859).

The repayment/payment should be deposited as follows:

Matching Payment Account	\$1,342,728
General Fund of U.S. Treasury	40,859
	<u>\$1,383,587</u>

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

050/019100

**CLINTON FOR PRESIDENT COMMITTEE**

PHONE (501) 375-1290  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
LITTLE ROCK, AR 72203  
61-7-820

15433

January 30, 1995 \$1,383,597.00

DATE

AMOUNT

\*\*\*\*\*One million three hundred eighty-three thousand five hundred  
eighty-seven dollars and zero cents\*\*\*\*\*

U. S. Treasury

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*John R. Lisdale*  
*Sharon T...*

⑈015433⑈ ⑆082000073⑆ 008941⑈326⑈5⑈

PAY  
TO THE  
95070100



FEDERAL ELECTION COMMISSION  
WASHINGTON, DC 20547

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A  
REPAYMENT TO THE GENERAL FUND OF THE U. S. TREASURY

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a check drawn on Worthen National Bank (Check #13222) in the amount of \$109,061. The check represents a partial repayment/payment from the Clinton-Gore '92 Committee for apparent prohibited contributions (\$1,000), apparent duplicate payments (\$6,479), non campaign related activity (\$70,296), income earned on the investment of federal funds (\$6,646) and stale dated checks (\$24,640).

The repayment/payment should be deposited into the General Fund of the U. S. Treasury.

Clinton - Gore '92 Committee  
Amount of Repayment: \$109,061

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

95070194

**CLINTON-GORE '92 COMMITTEE**

PHONE (501) 372-1982  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
LITTLE ROCK, AR 72203  
81-7-820

13222

January 30, 1995 \$109,031.00

DATE

AMOUNT

PAY \*\*\*\*\*One hundred nine thousand sixty-one dollars and zero cents\*\*\*\*\*

TO THE  
ORDER  
OF

U. S. Treasury

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*John R. Lisdale*  
*[Signature]*

⑆013222⑆ ⑆082000073⑆ 00894⑆9⑆6⑆2⑆

059701245

The General Committee did not provide any of the detailed information in its response. The response also did not list this company as a vendor for the General Committee or the Compliance Fund, 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 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.

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 on the 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 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 General Committee provide the same information and documentation specified for the systems leased from W.P. Malone or purchased from ICL.

The response describes the permanent 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 response states that the system expansion accommodated the additional needs of delegate tracking.

With respect to transferring of functions the General 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 General 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 response included 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 its 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 General Committee response did not provide any of the detailed information requested above.

° Explain why the Primary Committee took a 40% depreciation on the computers that were purchased for the primary campaign.

In the response, it is stated that the General Committee followed the Commission's regulation and instructions in the Primary Manual when the equipment was transferred to the General Committee. According to 11 CFR §9034.5(c)(1), assets acquired before date of ineligibility may be depreciated by 40% or more.

° Explain and document how the computers and software purchased from Future Now, Inc. furthered the Primary Committee's primary or convention related activity. How specifically did the Primary 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 General Committee repeated many of the arguments made in response to the exit conference that are addressed above. In addition, the General Committee makes a number of specific points that are addressed below.

° The General 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.8/

The General 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).

° The General Committee asserts that the equipment was used during the primary campaign and that the enhanced computer capacity was critical to respond to the Primary Committee's increased correspondence needs, for increased delegate tracking, to support the scheduling operation, for general political support and for communications. As noted earlier the General Committee provided little of the specific information requested in the Interim Audit Report to support its contention. However, the General 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.9/

In fact the documentation indicates that there is not a significant increase until July, 1992. For the first half of July the Primary Committee processed over 6,000 pieces of correspondence, but the number increased to over 9,000 in the

8/ The General 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 General 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 General 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. Part of the cost of an asset is any applicable sales or other tax.

9/ Although, in a memorandum submitted by the Primary Committee in response to the exit conference, it states that mailing of 5,000 to 6,000 pieces per day were being handled. The relationship between these two memoranda is not clear.

second half of July, to almost 27,000 pieces in August, and then it decreased to almost 19,000 in September. In our opinion, the documentation the General Committee submitted indicates they accomplished their objectives with their 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, the operation was moved to a separate location and utilized a personal computer network. The General 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 General Committee also argues that the audit analysis is inconsistent since the equipment is challenged but not increased levels of staffing. Although the General Committee may be correct that some staff hired by the Primary 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 Primary 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 Primary Committee decided to buy the new system with the expectation that "it would be transferred to the General with depreciation of 40%". It is not argued that the campaign made the wrong choice. However the alternative is not relevant to the issue at hand.

In summary, the General 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. Therefore, 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.

Based on 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 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 General Committee stated 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 General Committee did note that \$12,500 in rent was erroneously paid by the Primary Committee.

b. Polling

The Primary Committee conducted a number of opinion polls between mid-June 1992 and the convention. The Primary Committee paid two firms, Greenberg-Lake and Opinion Research Calling, for work in connection with these polls. Four of the polls were identified on invoices as 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. The invoices from Greenberg-Lake that could be associated with these polls totaled \$108,621, including \$37,500 in consulting and \$12,733 in travel, and are treated as general election expenses. Opinion Research Calling received \$93,904.

In response to the Audit staff presentation in the exit conference, the Primary Committee argued 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 Primary Committee also submitted a memorandum from the Executive Director of Greenberg Research Inc.

95070194529

(formerly Greenberg-Lake, 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 General 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. It should be noted that one of the types of pre-expenditure report period expenditures 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 General Committee states that polls were used to monitor and maintain delegate support, but failed to provide evidence or documentation which establishes how this was accomplished.

In the Interim Audit Report, the Commission requested the General 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 General 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 General Committee was also to provide information on any use of the polling results by the General Committee or the Compliance Fund.

The General Committee did not provide the specific information requested above, but in response to the Interim Audit Report, the General Committee did submit an affidavit from Donita Buffalo Hicks, Managing Director of Greenberg Research, 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 General Committee concludes that the pre-Convention period was critical for consolidating the candidate's support and demonstrating his electability. The

General 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 that "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 Primary 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 General 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 General Committee takes the position that the Audit staff disagrees with 11 CFR §106.4 or refuses to

0597019411

c. General Election Media Expenses

Both the Primary 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 his acceptance speech, 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 Primary Committee records, the total cost of producing the film was \$191,273 with the Primary Committee paying \$161,273 and the 1992 Democratic National Convention Committee, Inc. ("DNCC") paying \$30,000. A revised version of this film was aired by the Democratic National Committee during the week of August 16-20, 1992. The cost of that broadcast was considered a coordinated party expenditure pursuant to 2 U.S.C. §441a(d)(2). A revised version was also aired by the General Committee during the period 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 general election expenses. This transaction has the effect of increasing expenditures subject to the overall limitation.

The General Committee's response to the Interim Audit Report makes a number of arguments concerning the convention film. First, the General 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 Primary Committee. That is incorrect. The referenced report noted only that the amount paid was considered an impermissible use of public funds and that the Primary Committee had paid the remaining charges related to the film. As the General 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 Primary 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 General Committee also argues that the expense meets the definition of a qualified campaign expense for the Primary Committee. In this regard the General 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 General 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 General 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 General Committee is correct concerning 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 General Committee states that in the past the Audit Staff has not challenged such expenses. Again the General Committee is correct. If similar films have been produced by primary committees they have not been identified during the course of the audits. The General 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. It is however a proper general election expense.

Finally, the General Committee disagrees with the determination of the Candidate's date of ineligibility for the primary matching funds. 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 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 Primary 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 General 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 General 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 General 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 General 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 general election media expenses were paid by the Primary Committee. An invoice dated July 20, 1992 for \$6,109 for work relating to focus groups was identified. One of two versions of the invoice notes 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 in the amount of \$18,900 is one of a number billed to the Primary 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 general election expense.

9507019454

Finally, the Primary Committee paid an invoice dated August 20, 1992, which noted it was for a "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 General 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 General 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 General Committee's explanation is accepted.

The General Committee provided an affidavit from Anne Marie 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. Ms. Hannon 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 General Committee does not address the remaining two charges.

The Audit staff concluded that the total amount of media expenses paid by the Primary Committee is \$190,478.

d. Miscellaneous General Expenses

A number of other expenses were noted that are considered to be general election expenses paid by the Primary Committee. Each is discussed briefly below:

- ° The Primary Committee purchased 150,000 copies of the book Putting People First. The total cost was \$110,286 based on invoices dated July 6 and 10, 1992. The Primary Committee 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 Primary 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.

In response to presentation of this matter at the exit conference, the Primary Committee stated that it does not agree that there is a receivable from the General Committee. The Primary Committee stated that the majority of the publications were used during the primary and the Democratic National Convention. They also stated, that the value of the publications was 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 was 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 Primary Committee.

In response to the Interim Audit Report the General Committee states that "[b]ased on the best information available to the General 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 General Committee also objects to referring to these pamphlets as books. The General 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 Primary 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 Primary 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 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 Primary 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 General Committee could supply an affidavit from the Primary 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 Primary 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 Primary Committee paid \$10,003 of this amount. This is considered a general election expense.

In response to the Interim Audit Report, the General Committee agrees that it 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 Primary Committee was \$7,687. That amount was refunded to the Primary Committee on June 10, 1994. Neither committee explained how this amount was arrived at. Absent additional information, the entire \$10,003 is considered a general election expense.

- ° The Primary Committee chartered aircraft from Air Advantage. Payments via wire transfers were made in advance and charges were applied as incurred. At the end of the primary election period (7/15/92) a credit balance existed that was applied by Air Advantage to general election charges. The Primary Committee performed a reconciliation and determined that \$27,222 was due from the General Committee. In addition, the Primary Committee had paid \$17,000 for a reconfiguration of the aircraft, bringing the total amount due from the General Committee, per the Primary Committee's reconciliation, to \$44,222. Subsequently, the Primary 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 General Committee agrees that the \$2,000 and the \$27,222 were erroneously paid by the Primary 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 costs were incurred on July 10, 1992 and the airplane was used in the primary, in the General Committee's opinion, the entire cost 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.

- ° The Primary Committee made other payments to various vendors that appear to be related to 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 Committee and the General Committee for the month of July, 1992. The total amount is \$20,066.

In response to the Interim Audit Report, the General Committee noted that refunds totaling \$14,420 were made on January 11 and March 24, 1994 to the Primary Committee and it was planning to refund the remaining \$5,646.

In the Interim Audit Report, the amount owed to the Primary Committee from the General Committee was \$879,361. Prior to the Commission meeting of December 15, 1994, this amount had been revised, based on the General Committee's response, to \$874,411. Of this amount, \$51,329 has been refunded by the General Committee as of June 30, 1994. These refunds leave an outstanding balance of \$823,082 due to the Primary Committee.

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 considered 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 at Attachment #5. As of June 30, 1994, these refunds leave an outstanding balance of \$398,480 due the Primary Committee. This amount is included in the figure for accounts payable due from the Primary Committee on the General Committee's NOQCE Statement at Attachment #6.

### 3. Executive Jet Management

An internal Primary Committee memorandum dated June 2, 1993 noted an overpayment to this vendor. The vendor sent a refund check to the General Committee which included \$4,778 which was properly due to the Primary Committee. The Audit staff's review indicated this was a payable due the Primary Committee by the General Committee. This amount (\$4,778) was included as an offset to expenditures by the General Committee and therefore reduced expenditures subject to the spending limit. Thus, \$4,778 had been added to our analysis of expenditures subject to the spending limitation.

9507019433

In response to the Interim Audit Report, the General Committee agreed that this item should have been refunded to the Primary Committee and that it should not have been an offset to the General Committee's expenditures. The amount will be transferred according to the General Committee's response.

4. Alamo Rent A Car National Contract

In an internal memorandum dated May 18, 1993, the Primary Committee noted that based upon its analysis a total of \$43,420 should be transferred from the General Committee to the Primary Committee. The amount represented an overpayment by the Primary Committee credited by the vendor to the General Committee. Accordingly, this amount (\$43,420) was not reported as a disbursement by the General Committee and thus was not included in expenditures subject to the spending limitation. Therefore, the Audit staff has included this amount in its analysis of expenditures subject to the spending limitation.

In response to the Interim Audit Report, the General Committee agreed that this item should have been treated as an expenditure subject to the spending limitation. The Primary Committee has been reimbursed.

5. Sprint & C&P Telephone

During fieldwork, the Audit staff identified overpayments to Sprint. The overpayments, which appear to have resulted mostly from bills having been paid twice, were made by both the Primary Committee and the General Committee.

Documentation provided by the General Committee indicated that refunds were received which included amounts overpaid by both committees. The documentation noted that refunded amounts totaling \$19,198 were moneys due the Primary Committee. This amount was included as an offset to expenditures to the General Committee and therefore reduced expenditures subject to the spending limit.

In response to an exit conference presentation, the Primary Committee submitted documentation relative to C&P Telephone which indicated that the Primary Committee made overpayments of \$3,606 which were credited to the General Committee's account. As such, this amount was not reported as a disbursement and thus was not included in expenditures subject to the spending limit.

Therefore, the General Committee owed the Primary Committee a total of \$22,804 (\$19,198 + \$3,606) relative to these two vendors which the Audit staff had included in its analysis of expenditures subject to the overall spending limitation.

959791941139

In response to the Interim Audit Report, the General Committee agreed that these amounts were General Committee expenditures subject to the spending limitation. These amounts have been reimbursed to the Primary Committee.

6. Adjustment for Duplicate Payments to be Refunded

In the Interim Audit Report, the Audit staff made an adjustment for duplicate payments recovered from vendors and those yet to be resolved totaling \$21,614 (see Finding III.B.1. above). In response to the Interim Audit Report, the General Committee stated this should be adjusted based on its response to Finding III.B.1. Based upon that response, the Audit staff has determined that duplicate payments in the amount of \$8,329 remain unresolved (see Attachment 2). Based on the General Committee's response, the Audit staff's adjustment, as noted above (\$21,614), remains unchanged.

7. Adjustment for Apparent Non-Qualified Campaign Expenses

In the Interim Audit Report, the Audit staff had made an adjustment for non-qualified campaign expenses totaling \$87,077 (see Finding III.B.2., above).

Based on the General Committee's response to the Interim Audit Report, Finding III.B.2., the Audit staff has revised our adjustment for apparent non-qualified campaign expenses to \$70,296 (see Attachment 3).

8. Adjustment for Accounts Payable reported as Outstanding at June 30, 1993

In the Interim Audit Report, an accounts payable total of \$549,770 was added to operating expenditures. This amount represented accounts payable reported by the General Committee as outstanding on June 30, 1993. The General Committee provided a listing of these accounts payable to support the reported figure.

Included in the listing was a debt owed to the Primary Committee in the amount of \$78,541. However, no documentation or explanation was provided detailing the nature of the debt. The Audit staff was concerned that this debt (\$78,541) may duplicate amounts owed to the Primary Committee which we had identified above (Findings III.C.2., 3., 4., and 5.); and, would result in an overstatement of expenditures subject to the overall spending limitation. The Interim Audit Report noted that should additional documentation indicate an overstatement, the amount subject to the spending limitation would be adjusted accordingly.

The General Committee's response to the Interim Audit Report states that the payable to the Primary Committee,

05070194-0

included in the Audit staff's adjustment for accounts payable duplicates the specific adjustments to expenditures subject to the spending limitation detailed at Findings III.C.2., 3., 4., and 5. by the amount of \$77,942. However, the General Committee's response fails to provide any documentation detailing those items composing the \$77,942.

The Audit staff has revised the adjustment for Accounts Payable based on disclosure reports filed by the General Committee. The General Committee reported accounts payable at June 30, 1994, of \$165,536, which included a payable to the Primary Committee in the amount of \$13,244. Due to the absence of documentation noted above, this payable to the Primary Committee (\$13,244) could still duplicate amounts also detailed at Finding III.C.2..

9. Amount owed to DSCC WIN '92 by the General Committee

Based on documentation submitted by the General Committee subsequent to the exit conference, a refund received from SNET included funds paid by DSCC Win '92 "for additional service for the coordinated campaign." The General Committee stated it would "refund the appropriate share to the DSCC" (\$1,239). This amount was reported by the General Committee as an offset to expenditures which reduced expenditures subject to the spending limit. Thus, the Audit staff included \$1,239 on its analysis as an increase to expenditures subject to the spending limitation.

The Interim Audit Report recommended that the General Committee demonstrate that this item should not be included in the calculation of expenditures subject to the spending limitation. The General Committee's response to that report states that it agrees that this item should not be included as an offset to expenditures subject to the spending limitation. General Committee disclosure reports indicate this amount has been refunded.

10. Adjustment for Capital Assets

Based on the Audit staff's review of the available documentation, the cost of computers and related equipment transferred from the Primary Committee to the General Committee was determined to be \$540,313 (see Finding III.C.2.a.). Based upon 11 CFR §9003.3(a)(2)(ii), the Audit staff then allocated 70% of the cost of these assets as compliance related; the remaining 30%, or \$162,094 (\$540,313 x 30%) were considered capital assets of the General Committee. Adjusting for depreciation, the value of the General Committee's capital assets was determined to be \$97,256 (\$162,094 x .60).

This adjustment recognizes that the sale of assets would result in a partial recoupment of expenditures made to procure these assets.

The General Committee's response to the Interim Audit Report did not altered the Audit staff's position, as such no adjustment to this figure was made in the report as presented for Commission consideration.

As a result of the Commission's deliberations as discussed above in Finding III.C.2.a., the Audit staff determined the cost of the assets transferred to the General Committee to be \$327,559. Adjusting for that portion of the assets allocable to the Compliance Fund (70%) and for depreciation (40%), the value of capital assets for the General Committee was calculated to be \$58,961 ( $\$327,559 \times 30\% \times 60\%$ ).

11. Expenditures That May be Reimbursed to the General Committee from the Compliance Fund

The Audit staff utilized the General Committee's disbursement database to identify, at the time of the Interim Audit Report, \$1,829,239 in compliance-related expenditures made by the General Committee through December 4, 1992 (the end of the expenditure report period). In addition, a 100% review of disbursements made by the General Committee from December 5, 1992 through June 30, 1993 identified an additional \$900,414 in compliance-related expenditures. The Audit staff's review of disclosure reports filed by the General Committee, which covered the period July 1, 1993 through June 30, 1994, identified compliance-related expenditures totaling \$645,643. Based upon the above, expenditures totaling \$3,375,296 ( $\$1,829,239 + \$900,414 + \$645,643$ ) could have been paid by the Compliance Fund.

After adjusting for \$2,595,000 transferred from the Compliance Fund through June 30, 1994, there remains \$780,296 ( $\$3,375,296 - \$2,595,000$ ) that may be reimbursed.

The General Committee's response states that it agrees that additional funds may be reimbursed to the General Committee by the Compliance Fund, but disagrees with the auditors' numbers as to the amount necessary to remain within the limits.

Shown below is a presentation of the Audit staff's analysis of expenditures subject to the limitation updated based upon the General Committee's response and disclosure reports filed through June 30, 1994:

CLINTON/GORE '92 COMMITTEE  
Expenditures Subject to the Spending Limitation  
as Determined by the Audit Staff at 6/30/94

1. Reportable Disbursements from Inception through June 30, 1994	\$64,920,993 <u>10/</u>
<u>Adjustments to Reportable Disbursements</u>	
2. Less: Loan Repayment	(\$125,000)
3. Less: Offsets to Operating Expenditures	(\$7,012,115)
4. Less: Accounts Receivable Due at 6/30/94 <u>11/</u>	\$181,812
5. Less: Refunds from the Compliance Fund	(\$2,595,000)
6. Less: Amount Receivable from the Primary Committee (see Finding III.C.1.)	(\$43,726)
7. Add: <del>Amount due to the Primary Committee</del> (see Finding III.C.2. and 3.)	\$403,258
8. Less: Duplicate Payments (see Finding III.C.6.)	(\$21,614)
9. Less: Non-Qualified Campaign Expenses Subject to Repayment (see Finding III.C.7.)	(\$70,295)

10/ This figure does not include Worldwide commissions and credit card charges netted from amounts forwarded to the General Committee. Such an adjustment would also require an adjustment to offsets received by the General Committee, resulting in offsetting adjustments and no change in the final amount of expenditures subject to the spending limitation.

11/ It should be noted that this figure does not include about \$190,000 in media refunds that were under review by the General Committee's media vendor to determine if the money is due the General Committee or DNC as a result of 441a(d) expenditures. The General Committee has recently submitted additional documentation. After the Audit staff has reviewed the documentation, this figure will be adjusted accordingly. In addition, the Audit staff has made an allowance for uncollectible reimbursements due from the Secret Service totaling \$108,982. This figure also excludes the accounts receivable due from the Primary Committee (\$43,726) noted in item 6. below.

959701243

10. Add: Reported Accounts Payable at 6-30-94 (see Finding III.C.8.)	\$165,536
11. Add: Amount due DSCC Win '92 from The General Committee (see Finding III.C.9.)	\$ -0-
12. Less: Adjustment for Capital Assets (see Finding III.C.10.)	(\$58,961)
13. Add: Donated Equipment (see Finding III.A.1.)	\$ -0-
14. Add: Payments Not Made by the General Committee (see Finding III.A.2.)	\$ -0-
15. Add: Deposits Credited to General Committee Bills (see Finding III.A.3.)	\$1,000
16. Add: Amended Contracts (see Finding III.A.4.)	\$111,100
17. Add: Repayable Income Earned (see Finding III.D.)	\$6,646
<del>18. Add: Income Earned Credited to Vendor Invoices (see Finding III.D.)</del>	<del><u>\$7,830</u></del>
Adjusted Expenditures Subject to the Spending Limitation	\$55,507,840
Less: Limitation (2 U.S.C. §441a(b)(1)(B))	<u>(\$55,240,000)</u>
Amount Over/(Under) the Limit	\$267,840
Less: Expenditures that may be Reimbursed By the Compliance Fund - Total Available \$780,296 (see Finding III.C.11.)	(\$267,840)
Amount in Excess of the Spending Limitation	\$ -0-

Based on the above analysis, it appears that the General Committee has exceeded the limitation at 2 U.S.C. §441a(b)(1)(B) in the amount of \$267,840. However, it is recognized that reimbursements permitted from the Compliance Fund as noted above would eliminate any excessive amount and resulting repayment.

The Interim Audit Report recommended that the General Committee provide evidence that the expenditure limitation has not been exceeded. Absent such evidence, the Audit staff recommended that, based on the information available at that time,

the Compliance Fund transfer to the General Committee \$706,499 for expenditures that may be paid by the Compliance Fund in order to reduce General Committee expenditures subject to the expenditure limitation and provide evidence of such transfer. The evidence was to include a copy of the front and back of the negotiated check or a copy of the debit and credit memos.

The General Committee's response to the interim audit report addressed each of the areas noted above and is detailed within each of the sub-sections discussed above.

Based upon our analysis of the General Committee's response, disclosure reports filed and transfers from the Compliance Fund received to date, the Audit staff recommended in the report considered by the Commission that the Compliance Fund transfer an additional \$654,146 for expenditures that may be paid by the Compliance Fund, in order to reduce General Committee expenditures subject to the expenditure limitation, and provide evidence of such transfer. The evidence was to include a copy of the front and back of the negotiated check or a copy of the debit and credit memos.

As a result of the above noted revisions, arising from the Commission's deliberations on December 15, 1994, the ~~Audit staff recommends that the Compliance Fund transfer an~~ additional \$267,840 for expenditures that may be paid by the Compliance Fund, to reduce General Committee expenditures subject to the expenditure limitation and provide evidence of such transfer.

D. Income Earned by the General Committee

Section 9004.5 of Title 11 of the Code of Federal Regulations states, in relevant part, that the investment of public funds or any other use of public funds to generate income is permissible, provided that an amount equal to all net income derived from such investments, less Federal, State and local taxes paid on such income, shall be repaid to the Secretary.

Section 9007.2(b)(4) of Title 11 of the Code of Federal Regulations states that if the Commission determines that a candidate received any income as a result of the investment or other use of payments from the Fund pursuant to 11 CFR §9004.5, it shall so notify the candidate and such candidate shall pay to the United States Treasury an amount equal to the amount determined to be income, less any Federal, State, or local taxes on such income.

The media vendor utilized by the General Committee maintained an interest bearing escrow account on behalf of the General Committee. The account was opened on August 14, 1992 and through April 30, 1993, the General Committee had earned interest totaling \$6,613. As of May 22, 1993, \$5,448 of the interest earned by this account was applied by the vendor against the General Committee's media buys.

95770194505

In addition, the Audit staff identified \$1,217 in interest credited to a General Committee phone bill from Southwestern Bell. The interest was earned on a deposit held by the phone company. Thus, the General Committee earned a total of \$7,830 (\$6,613 + \$1,217) in interest. It should be noted that the Audit staff has adjusted our analysis of Expenditures Subject to the Spending Limitation by \$7,830. This amount (\$7,830) represents interest totaling \$6,665 (\$5,448 + \$1,127) which was applied by the vendors against amounts owed by the General Committee; and \$1,165 in interest which, absent evidence to the contrary, the Audit staff presumes was also applied by the media vendor against amounts owed.

With respect to our review of this matter, the Audit staff was unaware of any taxes paid relative to this income. Therefore, it appeared that a payment to the U.S. Treasury in the amount of \$7,830 was warranted. In addition, the Audit staff had requested statements for the media escrow account subsequent to April 30, 1993, in order to determine any additional interest earned by the General Committee.

The Interim Audit Report recommended that the General Committee provide documentation, to include but not be limited to bank statements, that demonstrated the amount of interest earned by the General Committee subsequent to April 30, 1993. Further, it was requested that if any Federal and/or State income tax had been paid on this income, the General Committee should submit copies of the relevant tax returns. The Interim Audit Report also noted that absent a demonstration that the interest should not be considered income and that taxes had been paid, the Audit staff would recommend the Commission make an initial determination that \$7,830 was payable to the United States Treasury.

In response the General Committee provided a copy of its tax return for the fiscal year ended June 30, 1993. This return indicated \$3,529 in interest income with taxes due of \$1,184. The General Committee stated that "the Committee agrees that the amount of interest earned net of taxes paid is owed to the U.S. Treasury."

Although the General Committee states that the interest earned net of taxes is due the U.S. Treasury, no documentation was provided to demonstrate the amount of interest earned since April 30, 1993. In addition, there is no mention of the discrepancy between the \$7,830 identified by the Audit staff and the \$3,529 in interest reported on the tax return. Although the total interest earned by the General Committee is not known at this time,<sup>12/</sup> it

<sup>12/</sup> The Committee's response did not include bank statements for the media escrow account subsequent to April 30, 1993, which could show additional interest earned that would increase the amount payable to the U.S. Treasury.

appears that a payment of at least \$6,646 (\$7,830 - \$1,184) to the U.S. Treasury is warranted.

Recommendation #4

The Audit staff recommends that the Commission make an initial determination that \$6,646 is payable to the United States Treasury pursuant to 2 U.S.C. §9004.5.

E. Stale-Dated Checks

Section 9007.6 of Title 11 of the Code of Federal Regulations states that if the committee has checks outstanding to creditors or contributors that have not been cashed, the committee shall notify the Commission. The committee shall inform the Commission of its efforts to locate the payees, if such efforts have been necessary, and its efforts to encourage the payees to cash the outstanding checks. The committee shall also submit a check for the total amount of such outstanding checks, payable to the United States Treasury.

The Audit staff performed bank reconciliations through June 30, 1993 for both the General Committee and the Compliance Fund. The Audit staff identified stale-dated checks relative to the General Committee totaling \$73,668 and stale-dated checks with respect to the Compliance Fund totaling \$3,631.

At the exit conference, representatives for both committees were provided with photocopies of workpapers detailing the above noted stale-dated checks.

As part of the documentation submitted in response to the exit conference, the General Committee provided a list of the stale-dated checks annotated with the action taken with respect to each item; such as, a replacement check was issued or that the check had been voided. However, no documentation other than bank statements supporting these actions was provided. Based on the bank statements provided, the Audit staff was able to determine that \$11,139 in stale-dated checks have either cleared the bank or been replaced by checks which have cleared the bank. Therefore, at the time of the Interim Audit Report, \$62,529 (\$73,688 - \$11,139) in stale-dated checks remained unresolved for the General Committee.

The Interim Audit Report recommended that the General Committee and the Compliance Fund provide evidence that:

- ° the checks were not outstanding (i.e., copies of the front and back of the negotiated checks and bank statements); or
- ° the outstanding checks are void (copies of the voided checks with evidence that no obligation exists, or copies of negotiated replacement checks); or

95070194557

- ° inform the Commission of the committees' attempts to locate the payees to encourage them to cash the outstanding checks or provide evidence documenting the committees' efforts to resolve these items.

Absent such information, it was stated that the Audit staff would recommend that the Commission make an initial determination that stale-dated checks totaling \$66,160 (\$62,529 + \$3,631) are payable to the United States Treasury.

In its response to the Interim Audit Report, the General Committee states that of the \$73,668 in stale-dated checks only \$18,824 remain unresolved. The response states that inquiries have been sent to the recipients and the Audit staff will be apprised as additional information is received. The response further states that a listing of additional checks that were reissued (\$27,183), cleared (\$1,604), and voided (\$26,057), with accompanying documentation are included. The response did not address stale-dated checks totaling \$3,631 issued by the Compliance Fund.

Based on a review of the documentation submitted to date, the Audit staff has determined that stale-dated checks, totaling \$18,674, for which the General Committee mailed inquiries, are unresolved. In addition, for those stale-dated checks listed by the General Committee as having been voided (\$26,057), copies of the voided checks with evidence that no obligation exists were not provided as recommended and, therefore, the Audit staff considers these items unresolved. The Audit staff also notes that, of those stale-dated checks reissued by the General Committee, copies of negotiated replacement checks (or copies of the check and appropriate bank statements) were not provided for checks totaling \$8,560. For one stale-dated check (\$253), the General Committee did not provide a bank statement evidencing the item had been negotiated. As a result of this analysis, the Audit staff has determined that stale-dated checks totaling \$53,544 (\$18,674 + \$26,057 + \$8,560 + \$253) are unresolved with respect to the General Committee.

Therefore, the Audit staff reduced the amount of unresolved stale-dated checks to \$57,175 (\$53,544 + \$3,631). See Attachments 7 and 8, respectively.

#### Recommendation #5

The Audit staff recommends that the Commission make an initial determination that the Committees are required to make a payment of \$57,175 to the United States Treasury pursuant to 11 CFR §9007.6.

**IV. Recap of Amounts Due to the United States Treasury**

Reflected below are the amounts due the United States Treasury as noted in this report:

Finding III.A., Apparent Prohibited Contributions	\$ 112,100
Finding III.B., Non-Qualified Campaign Expenses	
1. Apparent Duplicate Payments	\$ 8,329
2. Non-campaign Related Activity	\$ 70,296
Finding III.D., Income Earned	\$ 6,646
Finding III.E., Stale-Dated Checks	\$ <u>57,175</u>
Total Amount Repayable	\$ <u>254,546</u>

950 / 0124

950 / 0194330

Job: 121307  
INSP: Puff Blower #2  
PK: 1  
Qty: 6395  
Mark: 02202

# Clinton TEAM

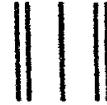
112 WEST 3RD STREET, LITTLE ROCK, ARKANSAS 72201

T

Mr. Sample A. Sample  
1234 Any Street  
Anytown, US 00000-0000

POSTAGE  
U.S. POSTAGE  
PAID  
CLINTON FOR  
MAIL BOX 17

First Class



Fee
File
Stamp
Net

Bill Clinton  
CLINTON/GORE COMPLIANCE FUND  
Dept. 3224  
P.O. Box 8802  
Little Rock, AR 72231-8802



9507019

Number 99430

Dear Loyal Friend,

The attached official Pre-Convention Clinton Team lapel pin has been sent to you in recognition of your steadfast commitment to our cause.



It is a collectible limited edition and is only available to those dedicated individuals who contributed to my pre-convention campaign.

I will never forget your generosity and special friendship.

*Bill Clinton*



Authorizes and Pays for the Clinton for President Committee



**RAPID RESPONSE ACTION MEMO**

To: Bill Clinton  
Clinton/Gore Compliance Fund  
112 West 3rd Street  
PO Box 8602  
Little Rock, AR 72231

From: Mr. Sample A. Sample  
123 Any Street  
Anytown, US 00000-0000

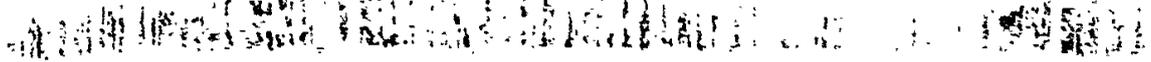
✓ **Yes, Bill,** we must be fully prepared!

I agree George Bush and Dan Quayle have nothing to run on and, because of this, we can expect more "Willie Horton" style attacks this year—and much worse.

I have rushed my personal check made out to the special CLINTON/GORE COMPLIANCE FUND in the amount of:

\$25       \$50       \$100       \$250       Other \$ \_\_\_\_\_

Please make personal check out to CLINTON/GORE COMPLIANCE FUND and return with this Action Memo in the enclosed envelope. (Thanks)



12345678--318600010000X

Please See Other Side

952/0124674

The Federal Election Commission requires the following information:

Name \_\_\_\_\_  
Home Address \_\_\_\_\_  
Occupation \_\_\_\_\_ Employer \_\_\_\_\_

Please make your personal check out to the Clinton/Gore Compliance Fund. Corporate contributions are prohibited by law. Political contributions are not tax deductible.

Reference and send for the Clinton/Gore Compliance Fund.

# BILL CLINTON

August 21, 1992  
7:15 AM

Mr. Sample A. Sample  
1234 Any Street  
Anytown, US 00000-0000

Dear Mr. Sample,

I'm pleased to present you with your limited edition, individually  
-entered Pre-Convention Team lapel pin.

And though it can't possibly measure up to the debt of thanks I owe you,  
your pin represents two very important things.

First, it recognizes you for standing with me early and investing your  
faith in our common cause and values. Believe me when I tell you, the power  
of your conviction strengthened and helped sustain my own faith and beliefs in  
the face of sometimes great adversity these past months.

And second, it's given in recognition of the generous financial support  
you provided my pre-convention campaign. Contributions like yours infused  
our effort with the critical resources we needed to campaign hard through  
June and early July. You made it possible for me to communicate our message  
of change right up to the moment Al Gore and I joined hands in New York City  
and officially launched our general election campaign. And what a launch it  
was!

There's no doubt in my mind, we would not have achieved the successes we  
have, without the commitment and early support of Pre-Convention Team members  
like you.

We would not have retired our pre-convention campaign debt. We would not  
be this far ahead in the public opinion polls. And Ross Perot's backers would  
not be coming our way in droves the way they have in recent days.

But we can't rest easy on the gains we've made. You know how volatile  
elections are these days and you know exactly what kind of base, gutter  
tactics we can expect from our opposition -- especially now, when they're  
running scared.

You played a pivotal role in our pre-convention campaign. Now, I'm  
asking you to make an even bigger contribution as we move forward.

This year we simply can't afford to allow George Bush and his cynical  
crew of negative campaign experts to get in our way. Too much is at stake.  
Too much needs to be done to repair the damage the Bush Presidency has  
inflicted on this country.

And all indications suggest we can expect the worst from them and then  
some. George Bush has no record to run on and no plan for America's future.  
The low road is the only road he can take.

(Next page please)

950/0194585

Mr. Sample A. Sample  
August 21, 1992  
Page two

He can't defend rolling up the biggest budget deficits and national debt in American history...or breaking his promise on taxes...or immersing himself in world affairs while Americans lost jobs and their hope for the future here at home.

Our recent Democratic Presidential Nominees learned the lessons of "Billie Horton" and the Republican attack apparatus the hard way. Well, it can't happen this time around -- not if you'll help me now.

That's why I'm asking you and all your fellow Pre-Convention Team members to assist the campaign in developing a high-tech rapid response and counter tactical operations capability. And one of the keys to this critical campaign initiative is fully funding the CLINTON/GORE COMPLIANCE FUND. That's where we need your help the most.

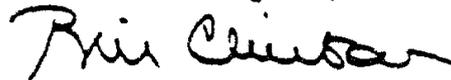
Your donation will help pay for skilled election lawyers to defend against the nuisance tactics, bogus legal challenges, and baseless allegations we've come to expect from the other side. And they'll need the computer power necessary to put huge volumes of key information at their fingertips to fight back with the facts, fast, before any damage is done.

~~But we must act quickly. We must be ready soon because we know Bush, Quayle, and the rest of them will be coming out of their convention on the attack.~~

Just remember, George Bush has stated he'll "do whatever it takes to win." And, I think, this is one time when we can take him at his word.

Please act today and give as generously as you can. We have no time to lose if we're truly serious about winning on the third of November.

Warmest Regards,



Bill Clinton

P.S. In addition to its keepsake value, your Pre-Convention Team lapel pin and individual pin number will serve as a special credential and security pass to a -- members only -- inaugural victory celebration next January in Washington.

But before we celebrate, we must win! And so, Mr. Sample, help us shut down the Republican "attack apparatus" by supporting our rapid response capability. Please, fill out the enclosed Action Memo and mail it back with your generous contribution to the CLINTON/GORE COMPLIANCE FUND. Thanks!

950/01945-6

**Clinton**  
**TEAM**

417 JAC STREET  
LITTLE ROCK, ARKANSAS 72201

194567  
9504

**CLINTON PRE-CONVENTION TEAM**

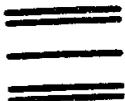
**ENCLOSED: Official 1992  
Nomination Acceptance Photograph**

cc: 1.86-2CP  
Desc: Project Lit. 5 Photo  
Key: Respondents to 3185  
Date: 12/24  
Value: 505.92

**ATTENTION POSTMASTER:  
PLEASE DO NOT BEND.**

957/0194553

Please  
Place  
Stamp  
Here



First Class

Bill Clinton  
CLINTON/GORE COMPLIANCE FUND  
Dept. 3186  
P.O. Box 8802  
Little Rock, AR 72231-8802





**RAPID RESPONSE ACTION MEMO**

Bill Clinton  
Clinton/Gore Compliance Fund  
112 West 3rd Street  
P.O. Box 8802  
Little Rock, AR 72231

From: Mr. Sample A. Sample  
123 Any Street  
Anytown, US 00000-0000

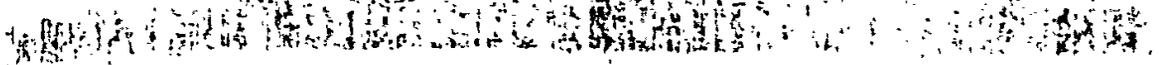
**Yes, Bill,** we must be fully prepared!

I agree George Bush and Dan Quayle have nothing to run on and, because of this, we can expect more "Willie Horton" style attacks this year—and much worse.

I have rushed my personal check made out to the special CLINTON/GORE COMPLIANCE FUND in the amount of:

\$25     \$50     \$100     \$250     Other \$ \_\_\_\_\_

Please make personal check out to CLINTON/GORE COMPLIANCE FUND and return with this Action Memo in the enclosed envelope. Thanks!



12345678--318600010000X



Please See Other Side

957/012111/0

The Federal Election Commission requires the following information:

Name \_\_\_\_\_  
Home Address: \_\_\_\_\_  
Occupation: \_\_\_\_\_ Employer: \_\_\_\_\_

Please make your personal check out to the Clinton/Gore Compliance Fund. Corporate contributions are prohibited by law. Political contributions are not tax deductible.

Attachment and used for the Clinton/Gore Compliance Fund.

# BILL CLINTON

August 28, 1992

Mr. Sample A. Sample  
123 Any Street  
Anytown, US 00000-0000

Dear Mr. Sample,

I hope you'll find a very prominent place in your home to display your Pre-Convention Team Official Nomination Acceptance Photograph. Someplace where all your family, friends, and neighbors can see it.

Everyone you know should recognize, just as I do, the critical role you've played in our campaign.

We literally wouldn't be where we are today without the support and financial backing that you and your fellow Pre-Convention Team members have given us.

Contributions like yours to my pre-convention campaign infused our effort with the critical resources we needed to campaign hard through June and early July. You made it possible for me to communicate our message of change right up to the moment Al Gore and I joined hands in New York City and officially launched our general election campaign. And what a launch it was!

There's no doubt in my mind, we would not have achieved the successes we have without the commitment and early support of Pre-Convention Team members like you.

We would not have retired our pre-convention campaign debt. We would not be this far ahead in the public opinion polls. And Ross Perot's backers would not be coming our way in droves the way they have in recent days.

But our work is far from over. There are less than 100 days to go, and though we're making great progress and our momentum is building, it's no time to let up. You know how volatile elections are these days and you know exactly what kind of base, gutter tactics we can expect from our opposition -- especially now, when they're running scared.

You played a pivotal role in our pre-convention campaign. Now, I'm asking you to make an even bigger contribution as we move forward.

We simply can't afford to allow George Bush and his cynical crew of negative campaign experts to get in our way. Too much is at stake. Too much needs to be done to repair the damage the Bush presidency has inflicted on this country.

And all indications suggest we can expect the worst from them and then some. George Bush has no record to run on and no plan for America's future. The low road is the only road he can take.



(Next page please)

05770194371

Mr. Sample A. Sample  
August 28, 1992

Page two

He can't defend rolling up the biggest budget deficits and national debt in American history...or breaking his promise on taxes...or immersing himself in world affairs while Americans lost jobs and their hope for the future here at home.

Our recent Democratic Presidential Nominees learned the lessons of "Willie Horton" and the Republican attack apparatus the hard way. Well, it won't happen this time around not if you'll help me now.

That's why I'm asking you and all your fellow Pre-Convention Team members to assist our campaign in developing a high-tech, rapid response and counter-tactical operations capability. And one of the keys to this critical campaign initiative is fully funding the CLINTON/GORE COMPLIANCE FUND. That's where we need your help the most.

Your donation will help pay for skilled election lawyers to defend against the nuisance tactics, bogus legal challenges, and baseless allegations we've come to expect from the other side. And they'll need the computer power necessary to put huge volumes of key information at their fingertips, so that we can fight back with the facts, fast, before any damage is done.

But we must act quickly, because we know Bush, Quayle, and the rest of them will be coming out of their convention on the attack.

Just remember, George Bush has stated he'll "do whatever it takes to win." And I think this is one time when we can take him at his word.

Please act today, and give as generously as you can. We have no time to lose if we're truly serious about winning on the third of November.

Warmest Regards,



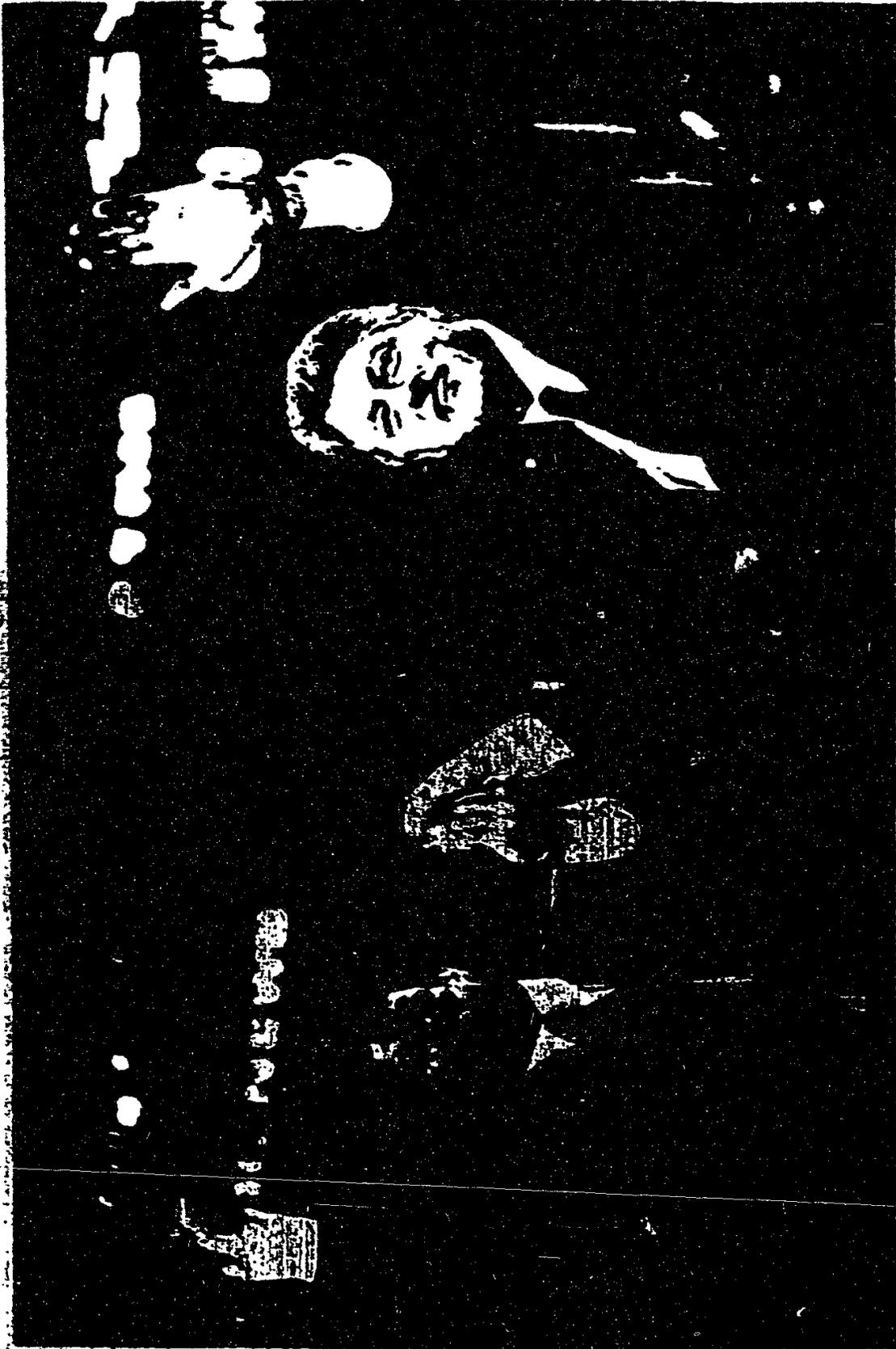
Bill Clinton

P.S. If recent history has taught us anything, it's that we must be prepared for our opposition's unscrupulous tactics.

And so, Mr. Sample, help us shut down the Republican "attack apparatus" by supporting our rapid response capability. Please fill out the enclosed Action Memo and mail it back with your generous contribution to the CLINTON/GORE COMPLIANCE FUND. Thanks!

059701945/2

25970194433



Madison Square Garden - July 16, 1972

*Sample A. Sample,  
Standing up there, Al and I were thinking of you and all your fellow Team members.  
We couldn't have done it without you.*

*Warm Regards,*

7/27/94

Clinton/Gore '92 General Committee  
Schedule of Unresolved Duplicate Payments

Invoice Number	Invoice Date	Duplicate Amount	Check Number	Check Date	Check Number	Check Date
Southwestern Bell 0427165	08/10/92	\$591.86	2900	09/04/92	9458	11/15/92
Southwestern Bell 0427165	07/27/92	529.61	1314	08/09/92	9458	11/15/92
Southwestern Bell 0427165	07/27/92	93.90	1313	08/09/92	9458	11/15/92
Southwestern Bell 0427165	07/27/92	280.63	1481	08/11/92	9458	11/15/92
Southwestern Bell 0427165	10/01/92	378.98	8541	10/31/92	9854	11/30/92
Southwestern Bell 0427165	04/11/92	353.87	7376	10/21/92	10926	02/25/93
Southwestern Bell 0427165	01/20/93	4,028.63	10922	02/25/93	12171	04/26/93
Southwestern Bell 0427165	10/15/92	885.50	10922	02/25/93	12335	06/22/93
Southwestern Bell 0427165	09/25/92	545.42	7376	10/21/92	12335	06/22/93
Southwestern Bell 0427165	10/27-9/9/92	640.64	4661	09/23/92	7352	10/21/92
Southwestern Bell 0427165	10/27-9/9/92	58,329.04				

10/11/92 610/0890

## ATTACHMENT #3

Clinton/Gore '92 General Committee  
Schedule of Non-Qualified Expenses:  
Non Campaign Related

Payee	Check Number	Check Date	NQCE <sup>/1</sup> Amount	Purpose of NQCE
Alamo Rent A Car	10250	12/30/92	\$34,768.00	payment for missing cars
The Future Now	10758	02/19/93	12,500.00	payment for equipment not returned
Phillip Baron	10411	02/14/93	2,350.00	payment for lost computer
Motorola, Inc.	7340	10/21/92	10,122.00	payment for equipment not returned
	12135	03/31/93	1,280.00	payment for lost equipment
InTouch USA	12037	03/10/93	3,450.00	payment for equipment not returned
Eighth Day Sound	4807	09/24/92	3,296.00	payment for equipment not returned
Porta Com Equipment	12141	03/31/93	2,529.61	payment for lost equipment
Total			<u>\$70,295.61</u>	

/1 - Non-Qualified Campaign Expenses

COMPUTER SYSTEMS UTILIZATION  
CLINTON FOR PRESIDENT COMMITTEE, CLINTON/GORE 92

August 1991-October 1991

Equipment: 386 PC running 8 devices

Vendor: Malone & Company

Functions Performed: Ran office package including word processing and scheduling; ran political data base. Maintained contributor information. Supported staff of 18.

November 1991-May 1992

Equipment: Unix CCI 6/32 running up to 128 devices, 80 simultaneous users.

Vendor: Malone & Company

Functions Performed: Continued to run office package including word processing and scheduling as well as running political data base. Supporting 40 work stations on the network. Supported staff of 49 at the end of November which had grown to 173 by the end of May. By the end of May, forty core staff and approximately 100 auxiliary staff people were working on delegate relations. The computer system provided terminals for 20% of the core staff. Mailings and calls to each delegate after each state primary were necessary and computerized tracking was maintained.

General correspondence had grown to 1600 letters per week by the end of May and doubled again in June. Governor Clinton felt it was critical that every letter be answered, and in a timely manner. This continual growing load of correspondence greatly taxed the processing power of the CCI 6/32 and its software.

The overall capacity of the CCI 6/32 system was physically limited to 128 devices (terminals, printers, modems, etc.). Of that number *only 80 devices* could be operated simultaneously without experiencing computer problems such as terminal lockouts, system crashes, processing delays of up to 30 minutes or more, etc. Backups required manual intervention and took up to a full week to complete. They were obsolete before they were completed. A summary of the devices supported by the CCI 6/32 at various times during this time frame is as follows:

Month	Terminals	Modems	Printers	Total Devices
December, 1991	36	3	10	49
January, 1992	52	3	12	67
February and March, 1992	64	5	14	83
April, 1992	88	7	18	113
May, 1992	91	9	18	118

Service was required on a recurring basis due to system failures. (Copies of sample service requirements are attached.)

957/0124476

The ever-growing young staff was familiar with the DOS working environment and needed to be able to use Novell. Extensive upgrades to both the hardware and software were going to be necessary to accommodate the user needs. Quotes were taken regarding the necessary upgrades to the existing system where it was determined that a new system would actually cost less. (Upgrades were projected to cost in excess of \$400,000 and the result would have been less desirable than an entirely new system.) Several consultants were involved in the decision process and all agreed that the new system was the only sensible alternative.

May 30, 1992-present

Equipment: DRS 6000, 386 pc's and networks. DRS 6000 was originally configured to accommodate 150 simultaneous users. Additional computer components were added during the General Election to ultimately take the capacity to 300 users.

Vendors: ICL, Inc.—hardware and software, Malone & Company—hardware and consulting, Future Now and Complete Computing—personal computers and software.

Functions Performed: Continued to run office package including word processing and scheduling as well as running political data base for balance of Primary and during General Election.

System expansion in May, 1992 accommodated additional user needs of tracking delegates for the Democratic Convention, allowing the delegate operation to interface using a separate Novell network—portable for use in New York during the Convention.

This equipment (temporary system) was installed in the Gazette Building. (The Committee had outgrown its old space and made the move to the new space effective June 1, 1992.) Installing the new equipment in the old building and moving it to the Gazette Building in just a few days would not have been cost effective or sensible considering the tempo of campaign operations. A temporary system was necessary due to the Committee's urgent computer needs as indicated by the chart above. The permanent system was installed less than one month later.

The new system required a new networking system and extensive rewiring. (I-K Electric provided the wiring.)

The 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.

Primary records were maintained and functions performed through the Convention after which the General Election began. Primary political records and other information were used in the General Election. This equipment was sold to the Clinton/Gore '92 Committee effective after the Convention.

Clinton for President records previously maintained by Public Office Corporation as well as detailed transaction files from World Wide travel were transferred to the ICL equipment as part of the winddown operation. Amendments required by FEC auditors related to press and Secret Service reimbursements as well as continuing data to respond to audit questions and make quarterly FEC filings have been maintained.

Accounting records to include vendor information and cash disbursements have been maintained by the Committee on in-house 386 computers.

Data necessary for preparation of amendments necessary to debt schedules originally prepared by POC covering inception through March, 1993 has been reconstructed by the Committee. Amended reports were prepared and filed.

Many of the PCs and printers were sold to Transition, staff and others at the end of the General Election.

December, 1991-Present

Equipment: N/A due to service bureau nature of services

Vendor: Public Office Corporation (POC)

Functions Performed: Public Office Corporation provided data processing services for Clinton for President in the area of producing required 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. During late 1992 and early 1993, the Committee began the difficult task of moving the POC maintained data to Committee computers in Arkansas. POC has continued to provide minimal services as requested since that time. At present POC still maintains certain duplicate records and answers questions relative to the ongoing audit. It is anticipated that upon completion of the current phase of the FEC audit all records remaining in custody of POC will be moved to Arkansas and the relationship terminated other than on an advisory basis as needed during the duration of the audit period.

POC provided no services to Clinton/Gore '92 or the related Compliance Committee.

July 16, 1992-Present

Clinton/Gore '92 Committee: All accounting related computer services were performed in-house on networked PCs. All FEC compliance reports were prepared internally by the Committee from information generated on the accounting department computers.

Vendors: Future Now, Inc., Complete Computing, Great Plains, Kerry for President Committee

Compliance Committee: All accounting related computer services were performed in-house on separate networked PCs. Compliance Committee computers were separately networked and maintained separate from the Clinton/Gore '92 Committee accounting computers. All FEC compliance reports were prepared internally by the Committee from information generated on the Compliance accounting department computers and manual records.

Vendors: Complete Computing, Aristotle Software

(last updated July 3, 1994)

Prefunding					
VENDOR	COST	AMOUNT PAID BY GENERAL COMMITTEE	%	AMOUNT DUE FROM THE GENERAL COMMITTEE	AMOUNT DUE FROM THE COMPLIANCE FUND
<b>EQUIPMENT AND FACILITIES</b>					
Future Now, Inc.	113,676	65,478	60%	2,728	1
Future Now, Inc. shipped 7/15	11,676	0	100%	11,676	
Future Now, Inc. shipped 7/15	5,066	2,894	100%	2,172	
ICL, Inc.	272,460	155,047	60%	8,429	1
I-K Electric	79,808	0	50%	39,904	
Little Rock Newspapers		0		12,500	2
W.P. Malone	104,175	62,505	60%	0	
	33,260	0	50%	16,630	
<b>POLLING AND DIRECT MAIL</b>					
Greenberg-Lake	99,306	0	50%	49,653	
G-L Convention Survey #4	9,315	0	100%	9,315	
Opinion Research	83,450	0	50%	41,725	
O-R Convention Pole #3 7/15	5,930	0	100%	5,930	
O-R Convention Pole #4 7/16	4,594	0	100%	4,594	
Strategic Political Response					200,484
<b>GENERAL ELECTION MEDIA EXPENSES</b>					
Focus Groups	6,109	0	100%	6,109	
Man from Hope	161,273	0	50%	80,637	
Test Resp. Spot	4,106	0	100%	4,106	
Admin 7/15 through 8/18	18,990	0	100%	18,990	

0 5 0 / 0 1 9 4 8 / 2

Clinton/Gore '92 Committee  
Final Audit Report

Attachment #5  
Page 2 of 2

Profunding

VENDOR	COST	AMOUNT PAID BY GENERAL COMMITTEE	%	AMOUNT DUE FROM THE GENERAL COMMITTEE	AMOUNT DUE FROM THE COMPLIANCE FUND
<b>MISCELLANEOUS GENERAL EXPENSES</b>					
Air Advantage 7/10/92 Reconfig.	17,000	2,000	100%	15,000	
Morton Brothers	76,320	15,900	100%	60,420	
Press Association, Inc.		7,687	100%	2,316	
<b>OTHER</b>					
Blue Cross/Blue Shield				3,248	1
La Harpe's Office				2,398	1
		<b>SUB-TOTAL:</b>		<b>398,480</b>	<b>200,484</b>
<b>LESS:</b>					
Strategic Political Response - Master File 4					69,660
		<b>TOTAL:</b>		<b>398,480</b>	<b>130,824</b>

- 1 Unpaid sales tax.
- 2 Amount represents one half July rent.
- 3 Acknowledged by Committee.
- 4 This amount is not considered due from the Compliance fund but is non-qualified.

CLINTON/GORE '92 COMMITTEE  
STATEMENT OF NET OUTSTANDING QUALIFIED  
CAMPAIGN EXPENSES AT DECEMBER 4, 1992 a/  
(As determined by the Audit Staff as of 6-30-94)

ASSETS

Cash on Hand		\$1,325,865
Accounts Receivable:		
Duplicate Payments	\$ 20,973 b/	
Clinton for President	\$ 43,726 c/	
Compliance Fund	\$267,840 d/	
Refunds Due at (6/30/94) e/	\$181,812	
Reported Refunds Received (12/5/92 to 6/30/94)	<u>\$3,028,657</u>	\$3,543,008
Non-qualified Campaign Expenses Pre 12/5/92		\$ 15,934
Capital Assets f/		<u>\$ 58,961</u>
<b>TOTAL ASSETS</b>		<b>\$4,943,768</b>

LIABILITIES

Accounts Payable:		
Clinton for President g/	\$505,027	
DSCC WIN '92	\$ 1,239	
Payments for Qualified Campaign Expenses (12/5/92 to 6/30/93)	\$2,091,776	
Reported A/P @ 6/30/94	<u>\$165,536</u>	\$2,763,578
Payments for Wind down Expenses h/ (12/5/92 to 6/30/94)		\$2,058,944
Prohibited Contributions (Finding III.A.1)		\$ 112,100
Payable to U.S. Treasury for Income Earned (Finding III.D.)		\$ 6,646
Miscellaneous Reconciling Adjustment		<u>\$ 2,500</u>
<b>TOTAL LIABILITIES</b>		<b>\$4,943,768</b>

Net Outstanding Qualified Campaign  
Expenses (Deficit) -0-

95770124311

CLINTON/GORE '92 COMMITTEE  
FOOTNOTES TO NOQCE STATEMENT

- 9570191512
- a/ All figures are rounded to the nearest dollar.
- b/ This represents amounts paid twice by the General Committee to various vendors which have been refunded to the General Committee (\$13,285); and those items still to be resolved (\$7,688). An uncollectible amount (\$641) has been excluded from the NOQCE presentation (see Finding III.C.7.).
- c/ This figure represents primary related expenses paid by the General Committee (see Finding III.C.1.).
- d/ This amount represents a recivable to reimburse the General Committee for expenditures that could have been paid by the Compliance Fund as determined by the Audit staff (see Finding III.C.12.).
- e/ This amount does not include about \$190,000 of media refunds still under review by the General Committee's media vendor. In addition, the Audit staff has made an allowance for uncollectible reimbursements from the Secret Service totaling \$108,982. Finally, this amount excludes a receivable due from the Primary Committee (\$43,726) shown separately.
- f/ Based upon the Commission's determinations, the Audit staff calculated the value of computers and related equipment transferred to the General Committee to be \$327,559. Under 11 C.F.R. §9003.3(a)(2)(ii), 70% of computer related equipment and services may be defrayed by the Compliance Fund. In addition, 11 C.F.R. §9004.9(d)(1) allows for capital assets to be depreciated and presented on the NOQCE at 60% of its fair market value or cost. Based upon the above, the Audit staff calculated capital assets to be \$58,961 ( $\$327,559 \times 30\% \times 60\%$ ).
- g/ Based on the Audit staff's review (see Finding III.C.2., 3., 4., 5. & 6.), this amount represents expenses relative to the general election paid by the Primary Committee and other amounts due the Primary Committee.
- h/ This amount has been considered by the Audit staff in its calculation of the accounts receivable figure above for remaining expenses that could have been paid by the Compliance Fund (see Finding III.C.12.).

Clinton/Gore '92 General Committee  
 Schedule of State-Dated Checks Remaining After Response to IAR

ATTACHMENT #7  
 Page 1 of 5

Created by: ARS 8-2-94 Last Revised: 8-2-94  
 GRID: PARSEMENTACHMENT

Payee	ACCOUNT	Check Date	Check Number	Check Amount	Disposition Per Date Response To the IAR	Re-Issued Check #	Re-Issued Check Date	Date Check Cleared	Amount \$/Kil Q/S (State)	Subtotal By Category	Comments
1 Radio Shack	OPER	23-Jul-92	1093	\$252.88	check cleared			27-Jul-92	\$252.88	\$252.88	Stamt not provided
2 Wilson Brothers	OPER	24-Aug-92	2135	\$300.00	check released	12743	09-Dec-93		\$300.00		No stat to show chk cleared
3 Photos by Jack	OPER	25-Feb-93	10877	\$50.00	check released	12964			\$50.00		No copy of chk, hasn't cleared
4 Matthew J. O'Neil	PERL	31-Aug-92	1060	\$1,103.79	check released	4805		07-Dec-93	\$1,103.79		No chk copy
5 Jay Chapman	PERL	14-Sep-92	1337	\$1,538.46	check released	4366		17-Feb-93	\$1,538.46		No chk copy, no stat.
6 Kirsten Denny	PERL	29-Sep-92	1907	\$913.91	check released	4784		08-Dec-93	\$913.91		No chk copy
7 Carol L. Hamilton	PERL	15-Oct-92	2507	\$1,188.31	check released	4783		03-Nov-93	\$1,188.31		No chk copy
8 Alexander H. Lofft	PERL	15-Oct-92	2575	\$346.90	check released	3344		09-Nov-92	\$346.90		No chk copy, no stat.
9 Jendis F. Kearney	PERL	02-Nov-92	3043	\$387.68	check released	4806		11-Jan-94	\$387.68		No chk copy
10 John J. Toohay	PERL	02-Nov-92	3233	\$1,057.29	check released	4769		05-Nov-93	\$1,057.29		No chk copy
11 Abigail L. Alperstein	PERL	06-Nov-92	3846	\$304.55	check released	4762		09-Nov-93	\$304.55		No chk copy
12 Michelle M. Day	PERL	17-Nov-92	3935	\$514.08	check released	4808		15-Dec-93	\$514.08		No chk copy
13 Pam J. Nelson	PERL	18-Dec-92	4245	\$542.22	check released	4807		07-Dec-93	\$542.22		No chk copy
14 Thomas C. Walton	PERL	15-Jan-93	4329	\$313.15	check released	4393		18-Feb-93	\$313.15	\$8,560.34	No chk copy, no stat.
15 Jeremy Ben Au	OPER	24-Sep-92	4875a	\$200.00	CHKE VOIDED				\$200.00		No chk copy; no vendor stat.
16 Illinois Bell	OPER	21-Jul-92	1088	\$2,700.00	CHKE VOIDED; Vendor Ret chk 10-14-93				\$2,700.00		No chk copy; no vendor stat.
17 Bill Sherman	OPER	07-Aug-92	1248	\$400.00	CHKE VOIDED				\$400.00		No chk copy; no vendor stat.
18 Karen Sullivan	OPER	15-Aug-92	1685	\$2,000.00	CHKE VOIDED				\$2,000.00		No chk copy; no vendor stat.
19 Hoaloha Ventures, Inc.	OPER	18-Aug-92	1745	\$2,000.00	CHKE VOIDED				\$2,000.00		No chk copy; no vendor stat.
20 Illinois Bell	OPER	25-Aug-92	2258	\$6,380.00	CHKE VOIDED; Vendor Ret Chk				\$6,380.00		No chk copy; no vendor stat.
21 Steve Baar	OPER	01-Sep-92	2639	\$160.00	CHKE VOIDED				\$160.00		No chk copy; no vendor stat.
22 Steve Baar	OPER	01-Sep-92	2640	\$945.00	CHKE VOIDED				\$945.00		No chk copy; no vendor stat.
23 Steve Baar	OPER	01-Sep-92	2641	\$480.00	CHKE VOIDED				\$480.00		No chk copy; no vendor stat.
24 Colleen McCarthy	OPER	04-Sep-92	2927	\$560.00	CHKE VOIDED				\$560.00		No chk copy; no vendor stat.
25 Mary Cervantes	OPER	09-Sep-92	3206	\$120.00	CHKE VOIDED				\$120.00		No chk copy; no vendor stat.
26 Taylor Rental	OPER	10-Sep-92	3317	\$76.56	CHKE VOIDED				\$76.56		No chk copy; no vendor stat.
27 Frank Appleby	OPER	18-Sep-92	4286	\$220.00	CHKE VOIDED				\$220.00		No chk copy; no vendor stat.
28 Holiday Inn	OPER	23-Sep-92	4719	\$1,896.60	CHKE VOIDED				\$1,896.60		No chk copy; no vendor stat.

Page 103, 12/27/94

950/019483

Clinton/Gore '92 General Committee  
 Schedule of State-Dated Checks Remaining After Response to IAR

ATTACHMENT #7  
 Page 2 of 5

Created by: ARB 8-2-94 Last Revised: 8-2-94  
 GRID: FINSTALENTACHMENT

Payee	ACCOUNT	Check Date	Check Number	Check Amount	Disposition Per Date Response To the IAR	Re-Issued Check #	Re-Issued Check Date	Date Check Cleared	Amount Still Q/S (State)	Subtotal By Category	Comments
29 Jeremy Ben Am	OPER	23-Sep-92	4875	\$200.00	CHKE VOIDED				\$200.00		No chk copy; no vendor stat
30 Sherton Burlington	OPER	28-Sep-92	5311	\$2,390.04	CHKE VOIDED				\$2,390.04		No chk copy; no vendor stat
31 John Monroe	OPER	16-Oct-92	6869	\$250.00	CHKE VOIDED				\$250.00		No chk copy; no vendor stat
32 Jack Murray	OPER	16-Oct-92	6914	\$240.00	CHKE VOIDED				\$240.00		No chk copy; no vendor stat
33 Prima Services Ltd	OPER	31-Oct-92	8533	\$911.08	CHKE VOIDED				\$911.08		No chk copy; no vendor stat
34 John Monroe	OPER	31-Oct-92	8578	\$250.00	CHKE VOIDED				\$250.00		No chk copy; no vendor stat
35 American International	OPER	15-Nov-92	9171	\$248.78	CHKE VOIDED				\$248.78		No chk copy; no vendor stat
36 Worthen Nat'l Bank	OPER	23-Nov-92	9712	\$2.08	CHKE VOIDED				\$2.08		No chk copy; no vendor stat
37 Ashley Adams	OPER	30-Nov-92	9972	\$165.00	CHKE VOIDED				\$165.00		No chk copy; no vendor stat
38 Steve Baar	PER	01-Dec-92	1461	\$50.00	CHKE VOIDED				\$50.00		No chk copy; no vendor stat
39 Steve Baar	PER	01-Dec-92	1462	\$150.00	CHKE VOIDED				\$150.00		No chk copy; no vendor stat
40 Kevin Vainey	PER	13-Dec-92	2274	\$150.00	CHKE VOIDED				\$150.00		No chk copy; no vendor stat
41 Jack Murray	PER	16-Dec-92	4428	\$75.00	CHKE VOIDED				\$75.00		No chk copy; no vendor stat
42 Anthony Pitts	PRFL	14-Aug-92	585	\$621.32	CHKE VOIDED				\$621.32		No chk copy; no vendor stat
43 Evelyn Regatory Harrison	PRFL	14-Sep-92	1497	\$187.53	CHKE VOIDED				\$187.53		No chk copy; no vendor stat
44 April K. Melody	PRFL	14-Sep-92	1756	\$1,920.27	CHKE VOIDED				\$1,920.27		No chk copy; no vendor stat
45 Donna K. Patterson	PRFL	03-Dec-92	4106	\$107.92	CHKE VOIDED				\$107.92	\$26,057.18	No chk copy; no vendor stat
46 Frank Appelly	OPER	06-Aug-92	1319	\$660.00	Letter sent to Payee				\$660.00		Unresolved
47 Steve Baar	OPER	17-Aug-92	1708	\$400.00	Letter sent to Payee				\$400.00		Unresolved
48 Brad Wise	OPER	19-Aug-92	1817	\$4.00	Letter sent to Payee				\$4.00		Unresolved
49 Mary Oppenheimer	OPER	19-Aug-92	1905	\$330.00	Letter sent to Payee				\$330.00		Unresolved
50 Comfort View-Lexington	OPER	25-Aug-92	2228	\$1,200.00	Letter sent to Payee				\$1,200.00		Unresolved
51 Mary Cervantes	OPER	09-Sep-92	3207	\$720.00	Letter sent to Payee				\$720.00		Unresolved
52 Ted Carr	OPER	11-Sep-92	3470	\$275.00	Letter sent to Payee				\$275.00		Unresolved
53 Radisson Plaza Hotel	OPER	14-Sep-92	3720	\$904.00	Letter sent to Payee				\$904.00		Unresolved
54 Westin Hotel	OPER	14-Sep-92	3721	\$929.32	Letter sent to Payee				\$929.32		Unresolved
55 Jonathan Schuur	OPER	15-Sep-92	3915	\$80.00	Letter sent to Payee				\$80.00		Unresolved
56 Martha McClernan	OPER	18-Sep-92	4242	\$530.00	Letter sent to Payee				\$530.00		Unresolved
57 Kevin Vainey	OPER	24-Sep-92	4784	\$300.00	Letter sent to Payee				\$300.00		Unresolved

Page 104, 12/27/94

059019454

Clinton/Gore '92 General Committee  
 Schedule of State-Dated Checks Remaining After Response to IAR

ATTACHMENT #7  
 Page 3 of 5

Created by: ARB 8-2-94 Last Revised: 8-2-94  
 GRID: PARSONALENTACHMENT

Payee	ACCOUNT	Check Date	Check Number	Check Amount	Disposition Per Date Response To the IAR	Re-Issued Check #	Re-Issued Check Date	Date Check Cleared	Amount Still O/S (State)	Subtotal By Category	Comments
58 Edward Cook	OPER	30-Sep-92	9583	\$3,528.00	Letter sent to Payee				\$3,528.00		Unresolved
59 Bain Ernis	OPER	06-Oct-92	6054	\$200.00	Letter sent to Payee				\$200.00		Unresolved
60 Chris Amores	OPER	21-Oct-92	7410	\$165.00	Letter sent to Payee				\$165.00		Unresolved
61 Frank Appleby	OPER	23-Oct-92	7662	\$165.00	Letter sent to Payee				\$165.00		Unresolved
62 Frank Appleby	OPER	26-Oct-92	8042	\$275.00	Letter sent to Payee				\$275.00		Unresolved
63 Tanya Berges	OPER	27-Oct-92	8088	\$200.00	Letter sent to Payee				\$200.00		Unresolved
64 Josh Silverman	OPER	30-Oct-92	8396	\$23.05	Letter sent to Payee				\$23.05		Unresolved
65 Frank Appleby	OPER	31-Oct-92	8610	\$165.00	Letter sent to Payee				\$165.00		Unresolved
66 Eric Avram	OPER	31-Oct-92	8612	\$160.00	Letter sent to Payee				\$160.00		Unresolved
67 Eric Berzian	OPER	04-Nov-92	8725	\$196.08	Letter sent to Payee				\$196.08		Unresolved
68 Ted McCutcheon	OPER	06-Nov-92	8865	\$27.34	Letter sent to Payee				\$27.34		Unresolved
69 Pauline Gore	OPER	10-Nov-92	8927	\$75.90	Letter sent to Payee				\$75.90		Unresolved
70 Susan Brophy	OPER	12-Nov-92	9066	\$123.06	Letter sent to Payee				\$123.06		Unresolved
71 Lynne M. Gronwald	OPER	12-Nov-92	9090	\$458.88	Letter sent to Payee				\$458.88		Unresolved
72 Sara Hartman	OPER	13-Nov-92	9135	\$5.16	Letter sent to Payee				\$5.16		Unresolved
73 Winston-Salem Rec & Parks	OPER	25-Nov-92	9814	\$472.00	Letter sent to Payee				\$472.00		Unresolved
74 Mary Gerace	OPER	02-Dec-92	9879	\$501.75	Letter sent to Payee				\$501.75		Unresolved
75 Tom Duchmann	OPER	14-Jan-93	10322	\$441.07	Letter sent to Payee				\$441.07		Unresolved
76 J.Michael Bailey, Esquire	OPER	14-Feb-93	10459	\$9.92	Letter sent to Payee				\$9.92		Unresolved
77 Frank Appleby	PER	27-Jul-92	1027	\$200.00	Letter sent to Payee				\$200.00		Unresolved
78 Frank Appleby	PER	08-Aug-92	1220	\$25.00	Letter sent to Payee				\$25.00		Unresolved
79 Frank Appleby	PER	08-Aug-92	1221	\$100.00	Letter sent to Payee				\$100.00		Unresolved
80 Frank Appleby	PER	08-Aug-92	1222	\$125.00	Letter sent to Payee				\$125.00		Unresolved
81 Michael McDermott	PER	08-Aug-92	1276	\$125.00	Letter sent to Payee				\$125.00		Unresolved
82 Bain Ernis	PER	01-Sep-92	1454	\$175.00	Letter sent to Payee				\$175.00		Unresolved
83 Jonathan Schuur	PER	01-Sep-92	1541	\$150.00	Letter sent to Payee				\$150.00		Unresolved
84 Mary Cervantes	PER	08-Sep-92	1779	\$75.00	Letter sent to Payee				\$75.00		Unresolved
85 Mary Cervantes	PER	08-Sep-92	1780	\$25.00	Letter sent to Payee				\$25.00		Unresolved
86 John Shue	PER	10-Aug-92	2023	\$125.00	Letter sent to Payee				\$125.00		Unresolved
87 Steve Bear	PER	11-Aug-92	2069	\$125.00	Letter sent to Payee				\$125.00		Unresolved

5 0 4 6 1 0 / 6 5 6

Clinton/Gore '92 General Committee  
 Schedule of State-Dated Checks Remaining After Response to IAR

ATTACHMENT #7  
 Page 4 of 5

Created by: ARB 8-2-94 Last Revised: 8-2-94  
 GRID: PARSONS/ENCLINMENT

Payee	ACCOUNT	Check Date	Check Number	Check Amount	Disposition Per Date Response To the IAR	Re-Issued Check #	Re-Issued Check Date	Date Check Cleared	Amount Still Q/8 (State)	Subtotal By Category	Comments
88 John Shaw	PER	11-Aug-92	2086	\$100.00	Letter sent to Payee				\$100.00		Unresolved
89 Krach Screwviala	PER	12-Aug-92	2152	\$150.00	Letter sent to Payee				\$150.00		Unresolved
90 Cindy Kohler	PER	14-Aug-92	2287	\$150.00	Letter sent to Payee				\$150.00		Unresolved
91 Cindy Kohler	PER	15-Aug-92	2317	\$200.00	Letter sent to Payee				\$200.00		Unresolved
92 Kirk Hanlin	PER	15-Aug-92	2360	\$25.00	Letter sent to Payee				\$25.00		Unresolved
93 Eric Avram	PER	17-Aug-92	2368	\$25.00	Letter sent to Payee				\$25.00		Unresolved
94 Sue Hofer	PER	20-Aug-92	2477	\$175.00	Letter sent to Payee				\$175.00		Unresolved
95 Nancy Bagley	PER	24-Aug-92	2531	\$175.00	Letter sent to Payee				\$175.00		Unresolved
96 Carrie Brown	PER	12-Sep-92	2685	\$75.00	Letter sent to Payee				\$75.00		Unresolved
97 Lance King	PER	14-Sep-92	2745	\$125.00	Letter sent to Payee				\$125.00		Unresolved
98 Frank Appleby	PER	18-Sep-92	3028	\$125.00	Letter sent to Payee				\$125.00		Unresolved
99 Wendy Goldberg	PER	05-Oct-92	3812	\$25.00	Letter sent to Payee				\$25.00		Unresolved
100 Robert Schiffer	PER	22-Oct-92	4753	\$75.00	Letter sent to Payee				\$75.00		Unresolved
101 Frank Appleby	PER	23-Oct-92	4769	\$100.00	Letter sent to Payee				\$100.00		Unresolved
102 Chris Amores	PER	25-Oct-92	4918	\$125.00	Letter sent to Payee				\$125.00		Unresolved
103 Bain Ennis	PER	26-Oct-92	4919	\$125.00	Letter sent to Payee				\$125.00		Unresolved
104 Frank Appleby	PER	26-Oct-92	4920	\$125.00	Letter sent to Payee				\$125.00		Unresolved
105 Lee Douglas	PER	30-Oct-92	5197	\$100.00	Letter sent to Payee				\$100.00		Unresolved
106 Frank Appleby	PER	31-Oct-92	5252	\$75.00	Letter sent to Payee				\$75.00		Unresolved
107 Lee Douglas	PER	31-Oct-92	5289	\$75.00	Letter sent to Payee				\$75.00		Unresolved
108 Jill L. Alper	PER	14-Sep-92	1278	\$942.97	Letter sent to Payee				\$942.97		Unresolved
109 Jill L. Alper	PER	06-Nov-92	3374	\$305.63	Letter sent to Payee				\$305.63		Unresolved
110 Kathleen M. McKeenan	PER	06-Nov-92	3602	\$21.35	Letter sent to Payee				\$21.35		Unresolved
111 Jeffrey S. Rodgers	PER	06-Nov-92	3669	\$91.35	Letter sent to Payee				\$91.35		Unresolved
112 Jeffrey S. Rodgers	PER	17-Nov-92	3934	\$387.68	Letter sent to Payee				\$387.68	\$18,673.51	Unresolved
TOTAL				\$53,543.91					\$53,543.91	\$53,543.91	

Page 106, 12/27/94

0 6 1 0 3 6 5 6

City/City/92 General Committee  
 Schedule of State-Dated Checks Remaining After Response to IAN

Created by: AFB 8-2-94 Last Revised: 8-2-94

GRID: PMS02NRTDQHM0R

ATTACHMENT #7  
 Page 5 of 5

Check by/yes	Check NO/DIR	Check Date	Check Number	Check Amount	Disposition Per Order Response To Use IAN	Re-Issued Check \$	Re-Issued Check Date	Date Cleared	Amount Still Q/S (State)	Subtotal By Category	Comments
-----------------	-----------------	---------------	-----------------	-----------------	---	-----------------------	----------------------------	-----------------	--------------------------------	----------------------------	----------

0220-General Committee Operating Acct.  
 920-General Committee Per Diem Account  
 P20-General Committee Payroll Account

7 1 4 4 6 1 0 7 0 5 6

Clinton/Gore '92 General Election  
 Compliance Fund  
 Schedule of Stated-Dated Checks  
 Based on Data Response to the IAR

ATTACHMENT #8  
 Page 1 of 1

Date Last Revised: 7-26-94  
 Created By: ARB  
 Grid: FMSDLECHECK2  
 Date Created: 7-25-94

Check Number	Check Date	Check Amount	Payee	Disposition Per Cmt Resp to IAR	Re-Issued Check(s)	Re-Issued Chk Date	Re-Issued Chk Cleared (Y OR N)	Amount Still O/S (State)
1091	10/19/92	\$250.00	Edward Mstichol	Resp to IAR does not address				
1095	10/19/92	250.00	Finish Works of San Francisco	Resp to IAR does not address				
1127	11/02/92	25.00	Edith Lanning	Resp to IAR does not address				
1172	11/06/92	1,000.00	Rodney Wagner	Resp to IAR does not address				
1199	11/06/92	100.00	Kern Alexander	Resp to IAR does not address				
1245	11/17/92	100.00	Betty Jo Middleton	Resp to IAR does not address				
1262	11/17/92	1,000.00	J. Chester Johnson	Resp to IAR does not address				
1269	11/17/92	30.00	Helari Hamner	Resp to IAR does not address				
1275	11/18/92	676.00	Catherine Lord	Resp to IAR does not address				
1321	11/23/92	200.00	Charles Wynne	Resp to IAR does not address				
Total		\$3,631.00						

8 1 5 7 6 1 0 4 0 5 0

Received in Audit  
11/7/94  
ADJF



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20461

November 3, 1994

MEMORANDUM

TO: Robert J. Costa  
Assistant Staff Director  
Audit Division

THROUGH: John C. Surina  
Staff Director

FROM: Lawrence M. Noble  
General Counsel

Kim Bright-Coleman  
Associate General Counsel

Lorenzo Holloway  
Assistant General Counsel

Peter G. Blumberg  
Attorney

Abel M6ntez  
Attorney

Andre Pineda  
Attorney

SUBJECT: Proposed Final Audit Report on Clinton/Gore '92  
Committee and Clinton/Gore '92 General Election  
Compliance Fund (LRA #420/AR #94-18)

0577019499

I. INTRODUCTION

The Office of General Counsel has reviewed the proposed Final Audit Report on the Clinton/Gore '92 Committee ("the General Committee") and Clinton/Gore '92 General Election Compliance Fund ("the GELAC") submitted to this Office on August 31, 1994. The following memorandum summarizes our

comments on the proposed report.<sup>1/</sup> If you have any questions concerning our comments, please contact Peter G. Blumberg, the lead attorney assigned to this audit.

II. ITEMIZATION OF OFFSETS (II.B.3.)<sup>2/</sup>

The proposed report raises the issue of whether the General Committee is required to itemize refunds and rebates made by various entities to its travel agent, Worldwide Travel, Inc. ("Worldwide"). The General Committee argues that it was not required to do so, and cites Advisory Opinion ("AO") 1983-25 as support for its position. The proposed report, however, concludes that AO 1983-25 is not relevant, and further states that AO 1983-25 cannot be extended to non-media vendors.

In AO 1983-25, the Commission found that a committee may report its payments to media consultants as expenditures, and that payments by media consultants to other persons, which are then used to purchase services or products used in connection with the consultants' contract, need not be separately reported. The Commission noted the following factors as significant in making this 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.

We disagree with the proposed report's conclusion that AO 1983-25 is not relevant to itemizations made by Worldwide, and cannot be extended to non-media vendors. To the contrary, we believe that AO 1983-25 is relevant to determine whether the General Committee is required to report refunds and rebates for travel expenditures. AO 1983-25 contains no

<sup>1/</sup> We recommend that the Commission consider this document in open session since the discussion is not exempt from disclosure under the Commission's Sunshine Regulations. 11 C.F.R. § 2.4. Parenthetical references are to the placement of the findings in the proposed report.

<sup>2/</sup> We suggest that you revise the title of this section to "Itemization of Refunds and Rebates." This is consistent with the title of the section dealing with the same subject matter in the proposed Final Audit Report for Clinton for President (the "Primary Committee.")

95070194570

language limiting its scope solely to media vendors, and AO 1983-25 factors have been applied by the Commission to determine the legitimacy of a non-media business vendor. See AO 1994-25. As such, we believe that AO 1983-25 allows the General Committee, subject to the above-stated factors, to contract with non-media vendors to perform campaign activities without requiring the General Committee to itemize and report vendor payments from third-party sources.

Notwithstanding the applicability of AO 1983-25 to the General Committee, we note that the General Committee response states that it satisfied the reporting obligations of AO 1983-25 without including supporting documentation. We believe, however, that if such documentation is provided, the General Committee may be able to satisfy the above-stated factors.

### III. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES (III.B.3.)

The proposed report concludes that arguments made by the General Committee pertaining to the loss of two rental cars, and lost computer equipment and communication devices, were unpersuasive, and that General Committee expenditures for the replacement of these items are non-qualified campaign expenses subject to repayment.<sup>3/</sup> The proposed report concludes that the total amount to be repaid to the United States Treasury for apparent non-qualified campaign expenses is \$78,264. \$70,295 of this repayment amount consists of the above-stated lost equipment.

The General Committee states that it was not commercially feasible to have purchased insurance to cover such losses. Moreover, the General Committee contends that due to the prohibitive cost of such commercial insurance, its only alternative was self-insurance. A committee's decision to purchase or not purchase commercial insurance is a relevant factor in determining whether a committee made a "good faith" effort to safeguard its equipment. See Memorandum to Robert J. Costa, Re: Committee on Arrangements for the 1992 Republican National Convention -- Legal Comments on Proposed Interim Audit Report, at 4-7 (September 17, 1993).<sup>4/</sup> Other relevant factors may include a committee's

<sup>3/</sup> This equipment includes two lost automobiles from Alamo Rent-A-Car valued at \$34,768, and lost computer and communication equipment valued at \$35,527.

<sup>4/</sup> The Interim Audit Report for the Committee on Arrangements for the 1992 Republican National Convention was interpreting permissible uses for convention expenses. Compare 11 C.F.R. § 9008.6(a) (permissible use of convention expenses) with 11 C.F.R. § 9002.11(a)(1) (qualified campaign expenses).

policies and practices promulgated to safeguard campaign equipment, and the committee's enforcement of such policies.

We recognize the General Committee promulgated policies to safeguard campaign equipment, including computers, communication devices, and rental cars. See General Committee Response, Exhibit 11 ("Loss Prevention Policy," and policy entitled "Equipment."). The mere existence of such a policy, however, is not determinative. In this instance, The General Committee has not demonstrated that it enforced these policies. The General Committee provided no evidence that it withheld the last two paychecks of the staff persons responsible for the rental of two lost rental cars, as required under its "Loss Prevention Policy."<sup>5/</sup> Moreover, the General Committee has failed to provide any evidence indicating what efforts it made to locate the lost computer equipment and communication devices.<sup>6/</sup> Therefore, the General Committee should be required to make a repayment of \$70,295 to the United States Treasury for the value of the lost or missing equipment.

95070194302  

---

<sup>5/</sup> The General Committee states, in part, that because it believes no committee member engaged in misconduct or gross negligence "it was unnecessary to execute the Committee's policy of withholding salaries." Nevertheless, the "Loss Prevention Policy" does not require any finding of misconduct or gross negligence. See General Committee Response, Exhibit 11. Furthermore, the General Committee failed to provide any evidence showing why the actions taken by the particular staff members assigned to the rental lost automobiles did not constitute abuse, misconduct, or gross negligence. See Memorandum to Robert J. Costa, Re: Committee on Arrangements for the 1992 Republican National Convention -- Legal Comments on Proposed Interim Audit Report, at 4-7 (September 17, 1993) (considerations to be examined include: (1) the value of the lost equipment as a percentage of the total value of the equipment; (2) whether a committee made a good faith effort to safeguard its equipment; (3) what efforts, if any, a committee made to locate the lost equipment; (4) if applicable, what contractual terms were made between the committee and its leasing entity; and (5) whether the committee can prove that no fraud or abuse occurred.).

<sup>6/</sup> The General Committee states that with respect to the two lost rental cars, it went to "great lengths" to recover their losses. For example, Exhibit 11 to the General Committee's response contains a letter from Alamo Rent-A-Car ("Alamo") detailing its investigative efforts, as well as an undated and unsigned memorandum detailing non-Alamo related investigative efforts. These exhibits show that the General Committee may have attempted to locate the lost rental cars. Such efforts, however, must be examined in conjunction with the General Committee's enforcement of its "Loss Prevention Policy." See consideration #2, set forth in footnote #5.

IV. EXCEEDING EXPENDITURE LIMITATION -- AMOUNT DUE THE  
PRIMARY COMMITTEE (III.B.2.)

9507019433

The finding in the proposed report that the General Committee exceeded its expenditure limitation by \$684,220. Absent evidence that the General Committee has not exceeded the expenditure limitation, the report recommends that the GELAC transfer this amount to the General Committee, but makes no repayment recommendation. A portion of the amount subject to the overall expenditure limitation includes an account payable of \$844,913 for expenses that were originally paid by the Primary Committee for setting up a basic campaign organization for the general election. The report notes that the Primary Committee made expenditures for items such as computers and polling in the weeks prior to the date of ineligibility ("DOI") when most or all state primary elections had been held.<sup>7/</sup> The report reasons that expenditures for certain goods or services made so late in the primary campaign could have no other purpose than to be pre-expenditure report period expenses for the general election committees. Since these expenses were start-up costs, they are qualified campaign expenses for the General Committee, and subject to the overall expenditure limitation. Thus, the expenditure results in the General Committee exceeding its expenditure limitation.<sup>8/</sup>

The General Committee urges the application of essentially a "bright line" test based on the date of a candidate's nomination to support its position that the expenses in question were qualified campaign expenses for the primary election. The General Committee argues that costs for goods and services incurred by a primary committee before DOI and used before DOI are qualified campaign expenses for a primary committee. With regard to the expenditures for equipment and facilities (e.g., mainframe computers, personal computers, printers, keyboards, monitors, modems, software), the General Committee argues that the expenditures were qualified campaign expenses for the primary election because the goods were purchased and used before the DOI. Thus, the

<sup>7/</sup> State primary elections were held through June 9, 1992. The candidate's DOI was July 15, 1992.

<sup>8/</sup> The Final Audit Report for the Primary Committee permits the Primary Committee to collect a reimbursement from the General Committee for those goods and services paid for by the Primary Committee which were General Committee expenses. The Primary Committee can also choose to pay the United States Treasury for these non-qualified expenditures if it chooses not to seek reimbursement from the General Committee. If the General Committee does not reimburse the Primary Committee, it would not exceed the expenditure limit.

General Committee contends that as a primary asset, the Primary Committee was permitted to sell the equipment to the General Committee at a 40% depreciation, the required price pursuant to 11 C.F.R. § 9034.5.

With regard to the polling expenditures, the General Committee argues that the expenditures were qualified campaign expenses for the Primary Committee because the polls were conducted prior to the DOI and concerned issues related to the seeking of the nomination. In addition, the General Committee contends that the polls had a limited shelf life which had expired by the time the general election campaign began. The General Committee asserts that the Commission has acknowledged the limited shelf life of polls in its own regulations. See 11 C.F.R. § 106.4(g).

950/0194394  
We believe that the standard advocated by the General Committee would enable a primary committee to use private contributions and public matching funds to pay a portion of the general election campaign expenses, thus circumventing the general election expenditure limitation and the law's prohibition on receipt of private contributions by publicly funded general election candidates. 2 U.S.C. § 441a(b)(1)(B); 26 U.S.C. § 9003(b)(1) and (2). Moreover, ~~such an interpretation is inconsistent with 11 C.F.R. § 9003.4(a)(1),~~ which permits general election campaigns to incur expenses prior to the beginning of the expenditure report period. This regulation would not be necessary if all expenditures made prior to the primary date of ineligibility were qualified campaign expenses of the primary committee, even if the expenditures related to the general election.

However, our analysis differs from that of the Audit Division because we believe that some of the expenditures may have had a dual purpose for the Primary Committee and the General Committee, and those expenditures could be allocated between the two committees if the purpose is documented. The central issue raised is whether the expenditures were made "in connection ... with [the primary] campaign for nomination" or "incurred to further a candidate's [general] campaign for election to the Office of President... ." Compare 11 C.F.R. § 9032.9(a)(2) (defining qualified campaign expenses for primary committees) with 11 C.F.R. § 9002.11(a)(1) (defining qualified campaign expenses for general committees).

A "bright line" test based solely on the date that an expenditure is incurred has never been applied by the Commission to determine whether a particular expense is a qualified campaign expense for the primary or general election. Rather, the two key elements for assessing qualified campaign expenses are timing and the subject matter requirement of "made in connection with" or "incurred to further." 11 C.F.R. §§ 9032.9(a)(2) and 9002.11(a)(1). It

is not sufficient merely for an expenditure to be incurred prior to the candidate's date of ineligibility to be considered a qualified campaign expenditure. Rather, the correct standard for determining whether an expenditure is a qualified campaign expense relies on both the timing of the expenditure and the nature of the expenditure. See AO 1984-15.

The Commission has previously considered the purposes of expenditures when allocating costs between primary and general presidential committees. In the Reagan Bush '84 audit, the Commission concluded that certain specific expenditures for polling, consulting, and voter registration incurred prior to the candidate's DOI and apparently related to the general election campaign could be considered qualified campaign expenses of the primary committee since the purpose of the expenditures related to "delegate tracking." Final Audit Report on Reagan Bush '84 Primary (July 7, 1986). However, the Reagan Bush general committee also reimbursed the primary committee \$64,000 for telemarketing expenditures incurred prior to the candidate's date of ineligibility, and the Commission allocated costs between the committees for advertising production costs incurred during the primary campaign for certain advertisements used during both the primary and general campaigns, thus demonstrating that the timing of the expenditure alone does not determine whether it is related to the primary or general election. Id.; Statement of Reasons supporting Final Repayment Determination in Reagan-Bush '84 General, at 9-12 (July 11, 1988). This precedent supports examining all of the particular facts surrounding an expenditure.

Moreover, matters concerning coordinated party expenditures, which involve publicly-financed presidential campaigns and expenditure limitations, are analogous to the issue of qualified campaign expenses presented here. In situations involving coordinated party expenditures, the Commission has considered not only the timing, but also the purpose of expenditures when determining to which election an expenditure should be attributed. AO 1984-15. For example, in AO 1984-15, the Commission noted that while "timing is relevant," coordinated party expenditures are not restricted to the time period between the nomination and the general election, and it would be inconsistent with the purpose of the limitation on coordinated expenditures to "permit expenditures made prior to nomination but with the purpose and effect of influencing the outcome of the presidential general election to escape this limitation." AO 1984-15.

It is possible that some of the expenditures at issue were intended, in part, for activities related to securing the candidate's nomination. With regard to capital assets determined to be primary committee assets, we believe the

950/0124995

Commission would have to allocate those expenditures pursuant to the method used for depreciating capital assets under 11 C.F.R. § 9034.5(c)(1). For the purpose of calculating a committee's Statement of Net Outstanding Campaign Obligations ("NOCO Statement"), primary committees are permitted to take at least a 40% depreciation on "any property used in the operation of the campaign whose purchase price exceeded \$2,000 when acquired by the committee." 11 C.F.R. § 9034.5(c)(1).

There is a question whether the expenditures for computer equipment are qualified campaign expenses for the Primary Committee. Many of the Primary Committee's computer requirements (processing matching fund submissions, preparing disclosure reports, scheduling travel plans) were handled by outside vendors such as Public Office Corporation and Worldwide Travel, Inc. throughout the course of the campaign. However, the General Committee asserts that the Primary Committee used the computer equipment to: (1) increase its correspondence capability and activity; and (2) engage in "delegate tracking" in preparation for the convention.<sup>9/</sup> Additionally, the General Committee asserts that the Primary Committee's previous computer system often malfunctioned because it could not handle all the necessary users, and therefore, a replacement was sought. Finally, the General Committee notes that all of the Primary Committee's existing files were transferred to the new mainframe system once it came on-line prior to DOI.

As documentary support for these arguments, the General Committee produced three memoranda regarding the computer system from Sherry Curry, a Primary Committee staff member to Barbara Yates, the Primary Committee's accountant. One memorandum, dated June 27, 1994, states that the Primary Committee purchased the new mainframe computer to increase user capacity since the leased system could only handle 80 devices (terminals, modems, printers) before suffering breakdowns, and the General Committee submitted three sample computer repair work orders from these breakdowns. Once the new mainframe came on-line, more devices could be operated at the same time. Similarly, in a June 24, 1994 memoranda from Ms. Curry to Ms. Yates, it is stated that the Primary Committee's incoming correspondence level was increasing and because of the need to respond, the Primary Committee needed greater computer capacity. The memorandum includes a list of

<sup>9/</sup> Based on the Primary Committee's descriptions in their response to the interim report, "delegate tracking" on the computer system apparently would include using computers to prepare correspondence to the delegates, and to log phone calls made to delegates. The Primary Committee response appears to also indicate that computers were used for general convention preparation and logistics.

95070194136

the biweekly incoming correspondence amounts demonstrating that in the last two weeks before the DOI, the incoming correspondence level increased to 6,036 incoming pieces, up from approximately 3,000 incoming pieces over the previous biweekly periods dating back to February 1, 1992.<sup>10/</sup> Primary Committee Response, Exhibit 21. Finally, a third memorandum asserts that delegate tracking and convention operations were performed on certain unspecified personal computers. It appears that the Primary Committee is referring to the personal computers purchased from Future Now, Inc.

The General Committee response to the interim report and the computer vendors' invoices indicate that the ICL, Inc. mainframe computer came on-line at least on June 25, 1992, and that the Primary Committee files were inserted on this system. Thus, there is evidence that the Primary Committee had this equipment prior to DOI, during the timeframe from June 25, 1992 through July 15, 1992.<sup>11/</sup> Similarly, it appears that the only peripherals that the Primary Committee possessed at the end of the campaign were the W.P. Malone peripherals it owned from July 11, 1992 on.<sup>12/</sup>

<sup>10/</sup> However, the memorandum does not indicate the subject matter of the incoming correspondence (e.g. contributions, bills, letters), whether the Primary Committee answered the correspondence at the same level that it was incoming, and how the computer system would be used to process either incoming or outgoing mail.

<sup>11/</sup> We note there is a dispute over when the new system came on-line. The Primary Committee ordered the new mainframe computer from ICL, Inc. on May 28, 1992 (invoice date), but the permanent equipment was only installed on June 25, 1992. The Primary Committee asserts that ICL, Inc. provided it a loaner during the interim period, but this assertion is undocumented. Thus, it appears that the new mainframe was installed only two weeks prior to the start of the convention.

<sup>12/</sup> We note that the devices that the Primary Committee appears to have agreed to purchase on June 30, 1992 (invoice date) from W.P. Malone for \$104,174 were actually being leased by the Primary Committee up to July 11, 1992 since the purchase invoice and lease invoices list the exact same equipment. So, it appears that the Primary Committee only became the owner of these goods at the time the convention started (or owned and leased the equipment concurrently).

957/0191197

Additionally, it appears that the Future Now, Inc. personal computers were used in the convention operations.<sup>13/</sup>

25070194003

The facts at issue present difficult questions concerning how to distinguish legitimate primary campaign activity from activity that is geared towards the general election campaign. In the instant matter, it is clear that the computer equipment was used extensively throughout the general election campaign. There is also some evidence that the Primary Committee had most of the computer equipment in its possession prior to DOI. However, the evidence submitted to demonstrate the extent to which the Primary Committee used the computer equipment is limited. The documentation submitted to date consists of unsworn memoranda produced in response to the interim report. Given the limited information provided and the questions that remain regarding the computer system, the General Committee should be required to provide documentation with more probative value such as sworn affidavits and contemporaneous documentation or memoranda. For example, the General Committee could provide delegate tracking reports produced by the system and comprehensive computer maintenance records. If the General Committee can provide additional documentation demonstrating the Primary Committee's use of the computer system, we believe that the costs incurred for the system would be qualified campaign expenses for the Primary Committee and the value of the asset determined pursuant to section 9034.5(c)(1) of the Commission's regulations for purposes of the Primary Committee's NOCO Statement.

We concur with the proposed report's conclusion that the polling expenses paid by the Primary Committee to Greenberg-Lake (\$108,622) and Opinion Research Calling (\$93,904) are general election campaign expenses. Polling expenditures are specifically provided for in 11 C.F.R. § 9003.4(a)(1) as qualified campaign expenses for the general election. The polls concerned the general election itself in that they measured the candidate's popularity versus the other likely candidates in the general election, George Bush and Ross Perot.<sup>14/</sup> Indeed, two of the polls were taken after

<sup>13/</sup> The costs for fifty-one personal computers ordered from Future Now, Inc. were incurred by the Primary Committee on May 29, 1992 (invoice date). Additional personal computers were ordered by the Primary Committee from Future Now, Inc. and delivered on June 23, 1992, June 29, 1992, and July 15, 1992.

<sup>14/</sup> The Commission has in the past viewed the content of the expenditure to determine the purpose of that expenditure. See AO 1984-15 (after scrutiny of the content of certain television commercials, the Commission concludes that "[t]he clear import and purpose of the these proposed advertisements is to diminish the support for any Democratic Party presidential nominee ...").

the roll call vote for the nomination was completed at the convention. With regard to the General Committee's argument that the polls decrease in value at a rapid rate, we view this as irrelevant since we view the polls as general election expenses.

Finally, we concur that all costs associated with the biographical film about the candidate entitled "The Man From Hope" are general election expenses. In Reagan-Bush '84, the Commission specifically addressed the issue of commercial production costs associated with a television commercial produced by a primary committee but aired during the general election. Statement of Reasons supporting Final Repayment Determination in Reagan-Bush '84 General, at 9-12 (July 11, 1988). The Commission concluded that the date of broadcast for media projects (i.e., the date when commercials, films, etc. are aired or broadcasted), not the date of production, determines whether such projects are primary or general election expenditures.<sup>15/</sup> The "Man from Hope" film was shown at the convention after the candidate was nominated, as well as on several subsequent dates.<sup>16/</sup> Therefore, these expenses are not qualified campaign expenses for the general election.

V. FUNDS REDESIGNATED FROM PRIMARY COMMITTEE TO GELAC  
(II.A.2.b.)

The proposed report recommends that the GELAC pay the Primary Committee \$1,296,517, representing funds impermissibly redesignated to the GELAC. The report notes

<sup>15/</sup> The Commission concluded that the commercial at issue aired repeatedly during the general election campaign, despite the Primary Committee's arguments to the contrary. Reagan-Bush '84 Statement of Reasons, p. 11. The Commission rejected the primary committee's assertion that production costs should only be allocated to the primary campaign.

<sup>16/</sup> The General Committee contests the Commission's determination that the candidate's DOI is July 15, 1992. The DOI is the "date on which the party nominates its candidate." 11 C.F.R. § 9032.6(a). Although the Commission has not defined the word "nomination," the Commission has previously viewed the completion of a convention roll call vote which nominates a candidate as the "nomination." The General Committee's suggestion to defer to a political party's definition of the term "nomination" will lead to inconsistent applications since every party could define it differently. Moreover, the Commission notified the Primary Committee by letter dated August 4, 1992 that July 15, 1992 was the DOI, and the Primary Committee did not object to this determination until now. As a result, we concur with the proposed report's conclusion that the DOI was July 15, 1992, the date that the convention roll call vote nominating the candidate was completed.

that the Primary Committee received certain contributions and then redesignated the contributions to the GELAC in a manner inconsistent with the Commission's regulations at 11 C.F.R. § 9003.3(a)(1)(iii). The report seeks to treat the contributions as primary contributions, nullifying the impermissible redesignations.<sup>17/</sup>

In response to the interim report, the General Committee argues that the subject contributions were undesignated, and thus, under 11 C.F.R. § 110.1(b)(2)(ii), could be viewed as GELAC contributions since they were received after the candidate's DOI. The General Committee contends that the redesignations were performed by mistake by a former vendor. The General Committee further asserts that the Primary Committee should not be penalized for setting a cut-off date for receiving contributions in the belief that it has no remaining debts "without the benefit of hindsight." General Committee Response, at 6. In this respect, the General Committee challenges the Commission practice of applying private contributions against a deficit on the Primary Committee's NOCO Statement prior to applying matching funds against the deficit. The General Committee believes that if anticipated matching funds were applied against the Primary Committee's deficit as reflected on the NOCO Statement, the Primary Committee would have been permitted to make the redesignations.

We concur with the report that the GELAC must transfer funds to the Primary Committee. The determination of whether a contribution is designated for a particular election turns on the contributor's donative intent. See AO 1990-30. Arguably, the contributions in question were designated to the Primary Committee since they were made payable to "Clinton for President" or a similar entity and received when the Primary Committee had outstanding debts.<sup>18/</sup> See 11 C.F.R. § 110.1(b)(4)(i). The Commission has permitted publicly-financed presidential campaigns to treat contributions received post-DOI as primary receipts and submit them for matching if they have outstanding debts. Further, Commission regulations condition redesignations of a primary committee's contributions on the fact that the

<sup>17/</sup> When these contributions are added to the Primary Committee's Statement of Net Outstanding Campaign Obligations ("NOCO Statement") as an asset, the funds decrease the Primary Committee's net outstanding campaign obligations and results in the repayment to the United States Treasury based on receiving funds in excess of the Primary Committee's entitlement.

<sup>18/</sup> We recommend that you attach to your report an exhibit demonstrating the amounts of contributions designated for each specific entity (e.g., Bill Clinton, Bill Clinton for President, Bill Clinton for President Committee, Team Clinton).

contributions represent funds in excess of the amount needed to pay remaining primary debts, thus, it is anticipated that a primary committee will continue to receive private contributions designated to it after DOI. See 11 C.F.R. § 9003.3(a)(1)(iii).

The Primary Committee benefited from this approach, receiving public funds for contributions received post-DOI that were virtually identical to these at issue here. The General Committee has not advanced a credible reason for distinguishing between the post-DOI contributions submitted for matching by the Primary Committee and those contributions that it now claims were contributions to the GELAC. We do not believe that the Primary Committee can apply the designation rules in a manner that will allow it to arbitrarily claim that certain contributions are primary contributions that are matchable and reverse its position to increase its entitlement to public funds by claiming that similarly designated contributions are designated to the GELAC. The designation rules do not operate to thus allow a committee to manipulate its entitlement to public funds.

The General Committee's argument that matching funds be counted into the NOCO Statement as of the time of submission, rather than receipt of such funds, would also allow the Primary Committee to manipulate its entitlement to public funds. The General Committee's claim that the Commission's NOCO Statement calculation system is unfair is based solely on the fact the Primary Committee miscalculated its remaining entitlement and expenditures. The Commission's regulations account for the fact that there may be miscalculations in the NOCO Statement because the Primary Committee is required to submit a revised NOCO Statement with each submission for matching funds after DOI and the Primary Committee will be required to make a repayment if it is later determined that the payments exceeded the Primary Committee's net outstanding campaign obligations. 11 C.F.R. §§ 9034.5(f)(1) and 9038.2(b)(1)(i).

Further, while treating future matching funds as an accounts receivable to eliminate its debts, the Primary Committee nevertheless submitted a NOCO Statement indicating that it was in a deficit position so that it would be entitled to receive the anticipated matching funds. This places the Primary Committee in the contradictory position of asserting that it has debts and does not have debts in order to obtain the maximum benefits of the public financing process. The Commission's regulations do not contemplate treating future matching funds as an accounts receivable on the NOCO Statement. The accounts receivable (or amounts owed) that can be listed as assets on the NOCO Statement generally include credits, refunds of deposits or rebates from qualified campaign expenditures. 11 C.F.R. § 9034.5(a)(2)(iii) (discussing calculation of NOCO

Memorandum to Robert J. Costa

Final Audit Report

Clinton/Gore '92 Comm. and Gen'l Election Compliance Fund

(LRA # 420/AR #94-18)

Page 14

statements). The result of including anticipated matching funds as an asset is that the Primary Committee is able to increase its entitlement based on speculation that the contributions will in fact be matched. 11 C.F.R. § 9034.5(a).

050 / 0194112



FEDERAL ELECTION COMMISSION  
WASHINGTON, D. C. 20543

AK005799

December 27, 1994

Mr. J.L. "Skip" Rutherford, Treasurer  
Clinton/Gore '92 Committee  
Clinton/Gore '92 General Election  
Compliance Fund  
c/o Ms. Lyn Utrecht  
Oldaker, Ryan & Leonard  
818 Connecticut Ave., N.W., Suite 1100  
Washington, D.C. 20006

Dear Mr. Rutherford:

Attached please find the Final Audit Report on the Clinton/Gore '92 Committee and Clinton/Gore '92 General Election Compliance Fund. The Commission approved this report on December 27, 1994. As noted on page 4 of this report, the Commission may pursue any of the matters discussed in an enforcement action.

In accordance with 11 CFR §9007.2(c)(1) and (d)(1), the Commission has made an initial determination that the Candidate is required to repay to the Secretary of the Treasury \$254,546 within 90 days after service of this report (March 30, 1995).

Should the Candidate dispute the Commission's determination that a repayment is required, Commission regulations at 11 CFR §9007.2(c)(2) provide the Candidate with an opportunity to submit in writing, within 30 calendar days after service of the Commission's notice (January 30, 1995), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. Further, 11 CFR §9007.2(c)(3) permits a Candidate who has submitted written materials to request an opportunity to make an oral presentation in open session based on the legal and factual materials submitted.

The Commission will consider any written legal and factual materials submitted by the Candidate within the 30 Day period in making a final repayment determination. Such materials may be submitted by counsel if the Candidate so elects. If the Candidate decides to file a response to the initial repayment determination, please contact Kim L. Bright-Coleman of the Office of General Counsel at (202) 219-3690 or toll free at (800) 424-9530. If the Candidate does not dispute this initial

05770194403

MR. J.L. "SKIP" RUTHERFORD, TREASURER  
Page 2

determination within the 30 day period provided, it will be considered final.

The Commission approved Final Audit Report will be placed on the public record on December 29, 1994. Should you have any questions regarding the public release of this report, please contact Ron Harris of the Commission's Press Office at (202) 219-4155.

Any questions you may have related to matters covered during the audit or in the audit report should be directed to Alex Boniewicz or Joe Stoltz of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,



Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

0527012464



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20541

AK005802

December 27, 1994

The Honorable William J. Clinton  
c/o Ms. Lyn Utrecht  
Oldaker, Ryan & Leonard  
818 Connecticut Ave., N.W., Suite 1100  
Washington, D.C. 20006

Dear Mr. President:

Attached please find the Final Audit Report on the Clinton/Gore '92 Committee and Clinton/Gore '92 General Election Compliance Fund. The Commission approved this report on December 27, 1994. As noted on page 4 of this report, the Commission may pursue any of the matters discussed in an enforcement action.

In accordance with 11 CFR §9007.2(c)(1) and (d)(1), the Commission has made an initial determination that you are required to repay to the Secretary of the Treasury \$254,546 within 90 days after service of this report (March 30, 1995).

Should you dispute the Commission's determination that a repayment is required, Commission regulations at 11 CFR §9007.2(c)(2) provide you with an opportunity to submit in writing, within 30 calendar days after service of the Commission's notice (January 30, 1995), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. Further, 11 CFR §9007.2(c)(3) permits a candidate who has submitted written materials to request an opportunity to make an oral presentation in open session based on the legal and factual materials submitted.

The Commission will consider any written legal and factual materials submitted by you within the 30 Day period in making a final repayment determination. Such materials may be submitted by counsel if you so elect. If you decide to file a response to the initial repayment determination, please contact Kim L. Bright-Coleman of the Office of General Counsel at (202) 219-3690 or toll free at (800) 424-9530. If you do not dispute this initial determination within the 30 day period provided, it will be considered final.

THE HONORABLE WILLIAM J. CLINTON  
Page 2

The Commission approved Final Audit Report will be placed on the public record on December 29, 1994. Should you have any questions regarding the public release of this report, please contact Ron Harris of the Commission's Press Office at (202) 219-4155.

Any questions you may have related to matters covered during the audit or in the audit report should be directed to Alex Boniewicz or Joe Stoltz of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,



Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

95070194406

AB002383

CHRONONLOGY

CLINTON/GORE '92 COMMITTEE  
AND  
CLINTON/GORE '92 GENERAL ELECTION COMPLIANCE FUND

Pre-audit Inventory Commenced	5/3/93
Audit Fieldwork	6/6/93 - 8/31/93
Interim Audit Report to the Committee	4/4/94
Response Received to the Interim Audit Report	7/6/94
Final Audit Report Approved	12/27/94

---

957/0194607

Cooper



FEDERAL ELECTION COMMISSION

June 13, 1995

MEMORANDUM

TO: Ronald M. Harris  
Chief, Press Office

FROM: Kim Bright-Coleman *KBC*  
Associate General Counsel

Lorenzo Holloway *LH*  
Assistant General Counsel

SUBJECT: Public Issuance of the Statement of Reasons  
for the Final Repayment Determination for  
Clinton/Gore '92 Committee

---

Attached please find a copy of the above-referenced Statement of Reasons which the Commission approved on June 1, 1995.

Informational copies of the Statement of Reason have been received by all parties involved and the document may be released to the public.

Attachment as stated.

cc: Audit Division  
FEC Library  
Public Disclosure  
Reports Analysis Division

957/0194



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20463

June 2, 1995

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

RE: Statement of Reasons for  
Clinton/Gore '92 Committee

Dear Ms. Utrecht:

95019400  
The Commission has considered the response filed on behalf of the Clinton/Gore '92 Committee ("the Committee") to the Commission's initial repayment determination contained in the Report of the Audit Division on the Committee issued on December 27, 1994. On June 1, 1995, the Commission made a final determination that the Committee must repay \$84,421 to the United States Treasury for: 1) the use of contributions to defray qualified campaign expenses, 2) the use of public funds to defray non-qualified expenditures and 3) income received on the investment of public funds. 26 U.S.C. § 9007(b); 11 C.F.R. §§ 9007.2(b)(2), (4), and (5). The Commission also concluded that, in order to comply with 11 C.F.R. § 9007.6, the Committee must pay \$24,640 to the United States Treasury for stale-dated checks.

Enclosed is the Statement of Reasons in support of the Commission's final repayment determination. 11 C.F.R. § 9007.2(c)(4). Judicial review of the Commission's determination is available pursuant to 26 U.S.C. § 9041, if the petition is filed with the United States Court of Appeals for the District of Columbia Circuit within thirty (30) days from June 1, 1995, the date of the Commission's final determination.

Under 11 C.F.R. § 9007.2(d)(2), repayment must be made within thirty (30) days from the date of service of this notice. We note that the Committee submitted a check for the repayment and payment amounts on January 30, 1995, payable to the United States

Letter to Lyn Utrecht  
Page 2

Treasury. Please contact me at (202) 219-3690, if you have any questions.

Sincerely,



Kim Bright-Coleman  
Associate General Counsel

Enclosure  
Statement of Reasons

cc: J.L. "Skip" Rutherford, Treasurer

95070194-10

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
 )  
President William J. Clinton )  
Vice President Albert Gore, Jr. and )  
Clinton/Gore '92 Committee )  
 )

STATEMENT OF REASONS

On June 1, 1995, the Commission made a final determination that President William J. Clinton, Vice President Albert Gore, Jr., and the Clinton/Gore '92 Committee ("the Committee") must repay \$84,421 to the United States Treasury for: 1) the use of contributions to defray qualified campaign expenses, 2) the use of public funds to defray non-qualified expenditures and 3) income received on the investment of public funds.<sup>1/</sup> 26 U.S.C. § 9007(b); 11 C.F.R. §§ 9007.2(b)(2), (4), and (5). The Commission concluded that, in order to comply with 11 C.F.R. § 9007.6, the Committee must pay \$24,640 to the United States Treasury for stale-dated checks. On January 30, 1995, the Committee submitted a check in the amount of \$109,061 (\$84,421 + \$24,640) to the United States Treasury. Therefore, the Committee does not owe any amount to the United States Treasury. This Statement sets forth the legal and factual bases for the Commission's final repayment determination. See 11 C.F.R. § 9007.2(c)(4).

<sup>1/</sup> All figures have been rounded to the nearest dollar amount.

959/0194611

I. BACKGROUND

The Clinton/Gore '92 Committee was the principal campaign committee for the presidential general election campaign of William J. Clinton and Albert Gore, Jr.<sup>2/</sup> The Committee received \$55,240,000 in federal funds for this purpose under 26 U.S.C. § 9006. Pursuant to 26 U.S.C. § 9007(a), the Commission conducted an audit and examination of the Committee's receipts, disbursements, and expenses.

The Commission approved the Interim Audit Report on March 24, 1994. Attachment 1. The Committee responded to the Interim Audit Report on July 6, 1994.<sup>3/</sup> Attachment 2. The Commission approved the Final Audit Report on December 27, 1994. Attachment 3. The Final Audit Report included an initial determination that the Committee make repayments to the United States Treasury totaling \$197,371. Attachment 3, p. 75. Specifically, the Commission made an initial determination that the Committee must repay \$112,100 because it received contributions of that amount to defray qualified campaign expenses. 26 U.S.C. § 9007(b)(3); 11 C.F.R. § 9007.2(b)(5). Additionally, the Commission made an initial determination that the Committee must repay \$6,646 for income earned on the investment of public funds. 11 C.F.R. § 9007.2(b)(4). The Commission also determined that the Committee must repay \$78,625 for public funds used to defray non-qualified

---

<sup>2/</sup> The Committee registered with the Commission on July 17, 1992.

<sup>3/</sup> On May 3, 1994, the Commission granted the Committee a 60-day extension of time to respond to the Interim Audit Report.

9570194512

campaign expenses. 26 U.S.C. § 9007(b)(4); 11 C.F.R. § 9007.2(b)(2). The Final Audit Report recommended that the Clinton/Gore 1992 General Election Compliance Fund ("Compliance Fund") transfer \$267,840 to the Committee to reduce the amount subject to the expenditure limitation and, therefore, avoid a repayment to the United States Treasury for exceeding the expenditure limitation. Id. at 70. The Final Audit Report also included an initial determination that the Committee must make a payment to the United States Treasury in the amount of \$57,175 for stale-dated checks. Id.

950/0194613

The Committee submitted its written response to the Final Audit Report on January 30, 1995, and included a check to the United States Treasury in the amount of \$109,061. Attachment 4.4/ The Committee did not dispute a \$1,000 contribution from a sound and staging vendor. Attachment 3, p. 31-32; Attachment 4, p. 2-5. Nor did the Committee dispute the repayment of \$70,296 for non-qualified campaign expenses for lost and stolen equipment and the \$6,646 repayment for income earned on the investment of public funds. Id. at 6. In addition, the Committee did not dispute the Final Audit Report recommendation that the Compliance Fund transfer \$267,840 to the Committee in order to avoid exceeding the expenditure limitation. The Compliance Fund transferred \$660,000 to the Committee on January 27, 1995.

---

4/ This Office requested that the Audit Division review the Committee's response. The Audit Division submitted its analysis on April 21, 1995. Attachment 5.

Since the Committee did not dispute the initial determinations that it repay \$1,000 for the use of a contribution to defray qualified campaign expenses, \$70,296 for lost and stolen equipment and \$6,646 for income earned on the investment of public funds, the Commission has made final determinations that the Committee repay these amounts totaling \$77,942 (\$1,000 + \$70,296 + \$6,646). 11 C.F.R. § 9007.2(c)(1).

## II. CONTRIBUTIONS USED TO DEFRAY QUALIFIED CAMPAIGN EXPENSES

The Committee and the Democratic National Committee ("DNC") coordinated their respective media expenditures during the 1992 general election campaign. The Committee noted that the same "creative team" under the apparent supervision of Mandy Grunwald and Greer, Margolis, Mitchell and Grunwald & Associates, Inc. ("GMMG") was engaged to produce "campaign media" for the Committee as well as "441a(d) media" and "other DNC generic media" for the DNC. Attachment 4, p. 2; see e.g. Attachment 6, p. 1. The Committee had entered into contracts with four media vendors under the supervision of the Committee and Ms. Grunwald for media services for the period July 1992 through November 1992. See, e.g., Attachment 6, p. 6. The contracts between the Committee and the media vendors required the Committee to make monthly retainer payments in amounts varying from \$20,000 to \$50,000. See, e.g., Attachment 6, p. 6. The Committee paid the first retainer installment amounts to the vendors starting in August 1992, and paid one to two additional retainer installment amounts per vendor.

959/0194614

9 5 7 / 0 1 9 4 6 1 5

In late October 1992, the contracts were amended so that the DNC would assume the Committee's obligations. See Attachment 4, p. 25-33; Attachment 7. These obligations were set forth in new contracts between the DNC and the four media vendors which were signed in October 1992 for the period between September 15, 1992 to November 15, 1992. Attachment 4, p. 25-33.<sup>5/</sup> Pursuant to the new contracts, the DNC paid the vendors \$111,100, which amounted to a portion of the final retainer installments to be paid originally by the Committee. The amount paid by the DNC totaled 24.4% of the original Committee-vendor contract amounts. The Final Audit Report contained an initial determination that the Committee repay \$111,100 to the United States Treasury for the ~~receipt of contributions used to defray qualified campaign~~ expenses since it appeared that the DNC made in-kind contributions to the Committee by assuming the Committee's remaining contractual obligations to the media vendors. Attachment 3, p. 34.

In response to the Final Audit Report, the Committee argues that the contract amendment did not result in a contribution because the amendment was properly executed and justified due to a change in the type of media services to be produced. Attachment 4, p. 2. The Committee and DNC stated that the contracts were

---

<sup>5/</sup> The new contracts never referenced the initial or the amended contracts with the Committee. See Attachment 4, p. 25-33. The amended contracts between the vendors and the Committee note that one reason for the amendment was the fact that certain services of the vendors "were for the benefit of the Democratic National Committee ... rather than the Committee." Attachment 7, p. 1. The Committee acknowledges that the new contracts entered into by the DNC and the media vendors memorialized the DNC's assumption of the Committee's contractual obligations to the media vendors. Attachment 4, p. 1-2.

amended because 24.4% of the contemplated work would be for general issues media, rather than candidate-specific media. Id., p. 2 and p. 18. The Committee stated that due to the change in media focus, it was more appropriate for the DNC, rather than the Committee, to pay for such expenses. Id., p. 2-5. By a letter dated July 5, 1994, Joseph E. Sandler, DNC General Counsel, stated that the work the DNC paid for was "generic media, i.e. media which urged support for the Democratic Party and its candidates without mentioning a specific candidate." Id., p. 18. Therefore, an alteration to the contracts was justified and provided no contribution from the DNC to the Committee.

To demonstrate that a shift was made in media strategy, the Committee submitted an affidavit from GMMG, the media consultant that supervised the project, explaining that the media made pursuant to the vendors' contract with the DNC was for "generic media." Attachment 4, p. 10-11. The vendor attached a videotape to the affidavit containing four advertisements named in the affidavit as examples of generic media. The advertisements encouraged voters to support Democratic candidates in general, and did not feature a specific candidate or a specific elective office. The Committee stated that it could not provide documentation on all the projects covered by the contract, and thus, could not explain the basis for the DNC specifically assuming 24.4% of the Committee's contract obligations. Id. at 5. The Committee also submitted some invoices for production costs

957/0194616

associated with the advertisements at issue.<sup>6/</sup> The Committee argued that amending the contracts just prior to the contracts' expiration had no legal relevance. Id. at 2-5.

9 5 7 / 0 1 9 4 6 1 7

A contribution is a gift, advance, deposit of money or anything of value made by a person for the purpose of influencing any election for federal office. 11 C.F.R. § 100.7(a)(1); 11 C.F.R. § 9002.13. The term "anything of value" includes all in-kind contributions. 11 C.F.R. § 100.7(a)(1)(iii). If goods or services are provided to a committee without charge or for a charge that is less than the usual and normal charge, the committee will receive a contribution. Id. Goods and services include, inter alia, securities, facilities and advertising services. Id. As a condition precedent to receiving public funds, the candidate must certify that no contributions have been or will be accepted. 11 C.F.R. § 9003.2(a)(2). However, if the Commission determines that a candidate of a major party accepted contributions to defray qualified campaign expenses, it shall notify the candidate of the amount of contributions so accepted, and the candidate shall pay to the United States Treasury an amount equal to such amount. 26 U.S.C. § 9007(b)(5); 11 C.F.R. § 9007.2(b)(5); see also 11 C.F.R. § 9003.2(a)(2).

The Commission concludes that fees paid by the DNC to the media vendors are not in-kind contributions to the Committee. The Committee, the DNC and the vendors have provided information demonstrating that a shift in media strategy occurred and they

---

<sup>6/</sup> The invoices were submitted to GMMG and do not indicate whether the media project was for the Committee or the DNC.

provided examples of the resulting advertisements generated from this change in strategy. Thus, it appears there was a legitimate basis for the DNC to have assumed the Committee's original contract obligations. Therefore, there were no media services provided to the Committee without charge or for a charge that was less than the usual and normal charge as a result of the contract amendments. 11 C.F.R. § 100.7(a)(1)(iii); cf. Advisory Opinion ("AO") 1981-42 (Commission states that contribution to a political committee results if a third-party corporation pays a political committee's obligation to a vendor supplying services to the political committee). Moreover, even if the Committee and the DNC did not shift the media strategy and continued to produce "candidate-specific" media, the DNC could have paid for such media without making an in-kind contribution to the Committee by reporting the expenditures as coordinated party expenditures under 2 U.S.C. § 441a(d). See AO 1984-15.7/ Therefore, the Commission has made a final determination that the Committee does not owe a repayment to the United States Treasury as a result of the contract amendments with the DNC.

### III. USE OF PUBLIC FUNDS FOR NON-QUALIFIED CAMPAIGN EXPENSES

The Final Audit Report contained an initial determination that the Committee make a repayment of \$8,329 for goods and

---

7/ In AO 1984-15, the Commission concluded that a national committee expenditure for media that depicts a clearly identified presidential candidate and conveys an electioneering message should be reported as a coordinated party expenditure or as an in-kind contribution to the identified candidate. AO 1984-15. An expenditure for media that references all candidates of a party or no specific candidates of a party should be reported as an "operating expenditure." AO 1984-15.

95970194618

services that the Committee paid twice. Attachment 3, p. 75. The Committee's response to the Final Audit Report included documentation demonstrating that one of its vendors, Southwestern Bell, refunded \$1,850 for goods or services that had been paid twice by the Committee. Attachment 4, p. 6. However, the Committee's response did not address duplicate payments totaling \$6,479 for services that the Committee paid twice to other vendors. Id.

If the Commission determines that any amount of any payment made to an eligible candidate of a political party is used for any purpose other than to defray qualified campaign expenses, it shall notify the candidate of the amount so owed, and the candidate will pay the Secretary of the Treasury that amount. 26 U.S.C.

§ 9007(b)(4). A qualified campaign expense is an expense incurred by the candidates of a political party for the offices of President and Vice President, or by their authorized committee, to further the election of either or both such candidates to such offices. 26 U.S.C. § 9002(11).

A qualified campaign expense does not include additional payments to a vendor for goods and services that have already been paid. Such payments do not further the election of a political party's candidate for President and Vice President because the authorized committee receives no additional goods and services from the vendor. See 11 C.F.R. § 9002.11(a)(1). As a result of the refund from Southwestern Bell, the Committee only made one payment to this vendor for goods or services to further the election. See 26 U.S.C. § 9002(11). However, the Committee

950/0124312

submitted no documentation demonstrating that the remaining \$6,479 in additional payments had been refunded. Therefore, the Commission has made a final determination that the Committee must repay \$6,479 (\$8,329 - \$1,850) to the United States Treasury for non-qualified campaign expenditures in the form of duplicate payments to vendors for goods and services.

IV. STALE-DATED CHECKS

Pursuant to 11 C.F.R. § 9007.6, if a committee has checks outstanding to creditors or contributors that have not been cashed, the committee shall notify the Commission. A committee shall inform the Commission of its efforts to locate the payees, if such efforts have been necessary, and its efforts to encourage the payees to cash the outstanding checks. 11 C.F.R. § 9007.6. A committee shall also submit a check, made payable to the United States Treasury, for the total amount of such outstanding checks. Id.

The Final Audit Report concluded that the Committee had unresolved stale-dated checks totaling \$57,175. Attachment 3, p. 73-74. In response to the Final Audit Report, the Committee submitted documentation demonstrating that stale-dated checks totaling \$32,534.76 have been resolved and checks totaling \$24,640.15 remain unresolved. Attachment 4, p. 6.

The Commission has made a final determination that the Committee has unresolved stale-dated checks totaling \$24,640.15. Therefore, pursuant to 11 C.F.R. § 9007.6, the Committee must pay \$24,640 to the United States Treasury for stale-dated checks.

250/0194390

V. FINAL DETERMINATION

054/019421

The Commission has made a final determination that President William J. Clinton, Vice President Albert Gore, Jr., and the Clinton/Gore '92 Committee must repay \$84,421 to the United States Treasury. This repayment consists of \$1,000 for the unlawful acceptance of a contribution, and \$6,646 earned on the investment of public funds. 11 C.F.R. §§ 9007.2(b)(4) and (5). This repayment also consists of \$76,775 for non-qualified campaign expenditures, including \$70,296 for lost and stolen equipment, and \$6,479 for additional payments to vendors for goods and services that had already been provided to and paid for by the Committee. 11 C.F.R. § 9007.2(b)(2). In order to comply with 11 C.F.R. ~~§ 9007.6~~, the Commission concludes that the Committee must pay \$24,640 to the United States Treasury for stale-dated checks. On January 30, 1995, the Committee submitted a check in the amount of \$109,061 (\$84,421 + \$24,640) payable to the United States Treasury. Therefore, the Committee has no outstanding amounts owed to the United States Treasury.

Attachments

1. Interim Audit Report approved March 24, 1994.
2. Response from the Clinton/Gore 1992 Committee to the Interim Audit Report dated July 6, 1994.
3. Final Audit Report approved on December 27, 1994.
4. Response from the Clinton/Gore 1992 Committee to the Final Audit Report dated January 30, 1995.
5. Audit analysis dated April 25, 1995 of the Clinton/Gore 1992 Committee response to the Final Audit Report.

6. Contract between Clinton/Gore '92 and Valerie Graves.
7. Amended contract between Clinton/Gore '92 and Valerie Graves.

950 / 0194522

---



FEDERAL ELECTION COMMISSION

JDS001369

INTERIM REPORT OF THE AUDIT DIVISION  
ON THE  
CLINTON/GORE '92 COMMITTEE  
AND CLINTON/GORE '92 GENERAL  
ELECTION COMPLIANCE FUND

I. Background

A. Audit Authority

This report is based on an audit of the Clinton/Gore '92 Committee ("the General Committee") and the Clinton/Gore '92 General Election Compliance Fund ("the Compliance Fund"). The audit is mandated by Section 9007(a) of Title 26 of the United States Code. That section states that "after each presidential election, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of the candidates of each political party for President and Vice President."

Also, 26 U.S.C. §9009(b) states, in part, that the Commission may conduct other examinations and audits as it deems necessary to carry out the functions and duties imposed on it by this chapter.

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 ("FECA"), as amended.

B. Audit Coverage

The audit for the General Committee covered the period from the General Committee's inception July 14, 1992, through June 30, 1993. The General Committee reported an opening cash balance

95070194623

of \$-0-; total receipts of \$63,711,645; total expenditures of \$63,683,481; and a closing cash balance of \$28,163.1/

The audit for the Compliance Fund covered the period from inception, May 13, 1992, through June 30, 1993. The Compliance Fund reported an opening cash balance of \$-0-; total receipts of \$8,498,699; total disbursements of \$4,587,859; and a closing cash balance of \$3,909,840.2/

### C. Campaign Organization

The General Committee registered with the Federal Election Commission on July 17, 1992. The Treasurer of the General Committee during the period covered by the audit was Robert Farmer who is also the current Treasurer. The Compliance Fund registered with the Commission on May 26, 1992. The Treasurer of the Compliance Fund until August 25, 1992 was David Watkins. The Committee filed an amended Statement of Organization on August 25, 1992 which designated Robert Farmer as Treasurer. Mr. Farmer is also the current Treasurer. Both committees maintain their headquarters in Little Rock, Arkansas.

The General Committee maintained five bank accounts at various times to manage its financial activity. From these accounts, the General Committee made approximately 73,000 disbursements. The General Committee was certified to receive \$55,240,000 from the United States Treasury on July 17, 1992 to fund its campaign. Other receipts included a \$1,900,000 transfer from the Compliance Fund, \$125,000 in loans from the Compliance Fund to finance expenses incurred prior to receipt of the July 17, 1992 grant, and approximately \$6,450,000 in offsets to expenditures.

To manage its financial activity, the Compliance Fund maintained one bank account. From this account, the Compliance Fund issued 139 checks in payment for goods and services and an additional 234 checks for refunds of contributions. Also, the Compliance Fund received approximately 126,700 contributions from about 98,000 individuals totaling almost \$8,473,000. Of this amount, approximately \$2,443,000 originated from contributors to the Clinton for President Committee ("the Primary Committee") as contributions which were redesignated by the contributors to the Compliance Fund.

1/ The reported activity does not foot due to minor mathematical errors. Figures included in this report are rounded to the nearest dollar.

2/ The reported closing cash balance does not foot due to a \$1,000 math error in total disbursements on the Summary pages of the Year-End, 1992 disclosure report.

9507019424

**D. Audit Scope and Procedures**

In addition to a review of the committees' expenditures to determine the qualified and non-qualified campaign expenses incurred by the campaign, the audit covered the following general categories:

1. The campaign's compliance with statutory limitations with respect to the receipt of contributions or loans (see Finding II.B.1 & III.A.);
2. the campaign's compliance with the statutory requirements regarding the receipt of contributions from prohibited sources, such as those from corporations or labor organizations (see Finding II.B.1. & III.A.);
3. proper disclosure of receipts, contributions from individuals, political committees and other entities, to include the itemization of receipts when required, as well as, the completeness and accuracy of the information disclosed (see Findings II.A.1. & II.B.2.);
4. ~~proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.B.2.);~~
5. proper disclosure of campaign debts and obligations (see Finding II.B.3.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. adequate recordkeeping for campaign transactions
8. accuracy of the Statement of Net Outstanding Qualified Campaign Expenses filed by the campaign to disclose its financial condition (see Attachment 1);
9. the campaign's compliance with spending limitations (see Finding III.C.); and
10. other audit procedures that were deemed necessary in the situation.

As part of the Commission's standard audit process, an inventory of the committees' records was conducted prior to audit fieldwork. This inventory was conducted to determine if the committees' records were materially complete and in an auditable state. It was concluded that the records were materially complete, except as noted below.

Our review of disbursements was hampered by the campaign's procedures for maintaining disbursement files. The

~~ATTACHMENT~~

95770194325

campaign ordered its disbursement files by parcel number<sup>3/</sup> for its draft account and by check number for its other accounts. With respect to other committees, such files are frequently ordered by vendor. Ordering files by vendor allows for a more efficient review of payments made and outstanding balances owed to a particular vendor.

Unless specifically discussed below, no material non-compliance with Statutory and 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. Finally, this report constitutes notice of potential funds repayable pursuant to 11 CFR §9007.2(a)(2).

## II. Findings and Recommendations Relative to Non-Repayment Matters

### A. Clinton/Gore '92 General Election Compliance Fund

#### 1. Disclosure of Occupation and Name of Employer

Section 434(b)(3)(A) of Title 2 of the United States Code requires a political committee to report the identification of each person who makes a contribution to the committee in an aggregate amount or value in excess of \$200 per calendar year together with the date and amount of such contribution.

Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" to be in the case of any individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 432(i) of Title 2 of the United States Code 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 this Act for the political committee, any report of such committee shall be considered in compliance with this Act.

Section 104.7(b) of Title 11 of the Code of Federal Regulations states, in part, with regard to the identification, as defined at 11 CFR 100.12, of each person whose contribution(s) to the committee and its affiliates 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 written request or by an oral request documented in writing to obtain such

<sup>3/</sup> The General Committee sent drafts to personnel in the field in "parcels". A log was maintained for each numbered "parcel." These "parcels" were numbered sequentially and documentation was maintained by "parcels."

information from the contributor. 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.

The Audit staff reviewed contributions from individuals on a sample basis. The sample results revealed an error rate of 50% with respect to disclosure of occupation and name of employer. For some of the errors, the receipt documentation available for review did not contain information concerning related solicitations. Therefore, the Audit staff could not determine if best efforts had been employed. In other instances, the solicitation documentation provided did not contain a request for name of employer. Other errors resulted from instances where the information was obtained but not disclosed.

During the course of the audit, the Audit staff advised the Compliance Fund of the high error rate. The Compliance Fund was again advised of this matter at the exit conference but did not provide an explanation.

Subsequent to the exit conference, the Compliance Fund provided a form letter requesting occupation and name of employer along with a listing of names to whom the letter was reportedly sent. The letter is dated July 19, 1993. It is noted that approximately 85% of the names of the individuals included in the sample errors are contained on the listing provided. The Compliance Fund states that "amended reports reflecting this information will be filed in the near future." The Audit staff was not made aware of this mailing during fieldwork and was not offered the opportunity to review any responses.

#### Recommendation #1

The Audit staff recommends that within 30 calendar days of service of this report, the Compliance Fund submit documentation to demonstrate that best efforts were utilized and file Schedules A-P to disclose occupation and name of employer information obtained as a result of the July 19, 1993 mailing or contained in Compliance Fund files but not previously disclosed.

#### 2. Funds from Non-Allowable Sources

Section 9003.3(a)(1)(i), (ii) and (iii) of Title 11 of the Code of Federal Regulations states that a major party candidate may accept contributions to a legal and accounting compliance fund if such contributions are received and disbursed in accordance with this section. A legal and accounting compliance fund may be established by such candidate prior to being nominated or selected as the candidate of a political party for the office of President or Vice President of the United States. Contributions to this fund shall be subject to the limitations and prohibitions of 11 CFR parts 110, 114 and 115.

ATTACHMENT

9507019427

Further, funds received during the matching payment period that are remaining in a candidate's primary election account, which funds are in excess of any amount needed to pay remaining primary expenses or any amount required to be reimbursed to the Presidential Primary Matching Payment Account under 11 CFR 9038.2, may be transferred to the legal and accounting compliance fund without regard to the contribution limitations and used for any purpose permitted under this section.

Finally, contributions that are made 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 the contributions represent funds in excess of any amount needed to pay remaining primary expenses; the redesignations are received within 60 days of the Treasurer's receipt of the contributions; the requirements of 11 CFR 110.1(b)(5) and (1) regarding redesignations are satisfied; and the contributions have not been submitted for matching.

a. Fundraising Expenses Paid by the Primary Committee

The Compliance Fund and the Primary Committee utilized a common vendor for fundraising purposes for a period of time. The Compliance Fund sent two fundraising letters to donors of the Primary Committee. The mailings included letters that dealt with general election issues and requested a contribution to the Compliance Fund. One of these mailings contained a photo of the Presidential and Vice Presidential candidates on the podium at the convention which had been promised in an earlier fundraising appeal by the Primary Committee. The other mailing contained a lapel pin which had also been promised in an earlier mailing of the Primary Committee. Therefore, the mailings served a function for both the Compliance Fund and the Primary Committee. The cost of these mailings was allocated with the Primary Committee paying 85% of the cost and the Compliance Fund paying the remaining 15%.

Documentation was not available detailing how the allocation was determined. It is our opinion that a 50% allocation between the two committees would be more appropriate given the dual function of the mailings. According to the invoices for these mailings, the total costs were \$371,855. Of these costs, the Primary Committee paid \$316,751. If a 50% allocation is used, each committee should have paid \$185,928. Based on this allocation, the Compliance Fund owes the Primary Committee \$130,823 (\$316,751 - \$185,928).

The Compliance Fund representatives were made aware of this matter at the exit conference. Subsequently, the Compliance Fund provided a letter from the vendor dated October 27, 1993. This letter states, in part, that "[t]his allocation relates to two mailings made during the months August and September, 1992, as to which the total cost of producing the mailings were allocated by us based on the respective costs of the fulfillment information and materials relating to the primary campaign as compared to the cost of the components related to GELAC [Compliance Fund] fundraising." However, this response does not contain any documentation with which to verify that the respective costs resulted in this 85% and 15% split.

The letter from the vendor also states that the allocation was done by the vendor "in accordance with standard accounting practice with regard to allocated costs in accordance with the principles set forth by the American Institute of Certified Public Accountants Statement of Position 87-2, relating to accounting for joint costs of informational materials and activities that include a fundraising appeal." 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 Fund should pay the entire amount.

Given that: (1) FECA matters are not governed by this accounting publication, (2) the purpose of the publication is not wholly on point, (3) the nature of the guidance contained in the publication, and (4) the dual purpose of the mailing, we are still of the opinion that a 50% allocation is appropriate.

Another project, performed by this vendor at a cost of \$69,660, was paid entirely by the Primary Committee. This project was for a compilation of contributor information to create a "Master File." Over 90% of the cost was incurred on invoices dated after September 16, 1992 according to available records. The Primary Committee had utilized another vendor to handle the majority of its receipts processing and to provide the Audit staff with the required computer tape containing the contributions and disbursements for the Primary Committee. Also, Compliance Fund representatives requested and received a magnetic copy of that information from the Commission. Based on this information, the Audit staff is of the opinion that the entire amount should have been paid by the Compliance Fund.

The Audit staff identified another vendor to which the Primary Committee paid \$1,720 to defray Compliance Fund expenses. The Compliance Fund has acknowledged that this amount is owed to the Primary Committee by the Compliance Fund.

Therefore, it is our opinion that the Primary Committee has paid a total of \$202,203 (\$130,823 + \$69,660 + \$1,720) in expenses which should have been paid by the Compliance Fund.

Recommendation #2

The Audit staff recommends that within 30 calendar days of service of this report, the Compliance Fund provide documentation to demonstrate that the amounts paid by each committee were appropriate. Absent such a demonstration, the Audit staff recommends that the Compliance Fund reimburse \$202,203 to the Clinton for President Committee and provide evidence of such reimbursement (i.e., copies of the front and back of the canceled check).

b. Funds Redesignated from the Primary Committee

The Compliance Fund received \$2,444,557 in contributions which were redesignated and transferred from the Primary Committee. The Regulations, as noted above, require that contributions designated for the Primary Committee and made after the beginning of the expenditure report period cannot be transferred to the Compliance Fund unless the contribution is in excess of the contributor's primary limitation; or, the contributions are in excess of funds needed by the Primary Committee to pay remaining expenses. The Primary Committee did not have sufficient funds to pay expenses until receipt of a Matching Fund payment on September 2, 1992.

The amount transferred from the Primary Committee to the Compliance Fund included \$1,519,049 in contributions received from the Compliance Fund's inception through September 2, 1992. Only \$222,532 of these transferred contributions represented either excessive contributions to the Primary Committee or contributions intended for the general election; \$66,846 prior to July 16, 1992 and \$155,686 subsequent to July 16, 1992.

Therefore, the Compliance Fund received \$1,296,517 (\$1,519,049 - \$222,532) in impermissible funds from the Primary Committee.

Subsequent to September 2, 1992, the Primary Committee received approximately \$1,025,000 in contributions. Of this amount, approximately \$924,000 was redesignated to the Compliance Fund properly under 11 CFR §9003.3(a)(iii) and is not questioned at this time.

In response to the Primary Committee's exit conference, Compliance Fund representatives stated that they dispute the auditors' assertion that these contributions could not be redesignated to the Compliance Fund. They further state that this assertion is contrary to law. The contributors properly and

9577012460

legally designated those contributions in writing for the Compliance Fund pursuant to 11 CFR §110.14/, and the auditors cannot prohibit the Primary Committee from maintaining those contributions in the Compliance Fund.

With respect to the propriety of the redesignation, 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 contributor's 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."

The definition and the calculation of remaining entitlement to which the Primary 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 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 above follows this explanation. Finally, it is explained that this 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

4/ Although the Compliance Fund cited 11 CFR §110.2, the Audit staff presumes the Compliance Fund meant 11 CFR §110.1.

957/0194631

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 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 shown above.

It is the opinion of the Audit staff that the Primary 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.

### Recommendation #3

The Audit staff recommends that within 30 calendar days of service of this report, the Compliance Fund provide documentation and any relevant comments to demonstrate that the above mentioned transfers were permissible. Absent such a demonstration, the Audit staff recommends that the Compliance Fund pay \$1,296,517 to the Primary Committee.

#### B. Clinton/Gore '92 Committee

##### 1. Apparent Prohibited Contribution

Sections 116.3(b) and (c) of Title 11 of the Code of Federal Regulations state that 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 provided that the credit is extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation. Further, in determining whether credit was extended in the ordinary course of business, the Commission will consider whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit; whether the commercial vendor received prompt payment in full if it previously extended credit to the same candidate or political committee; and whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

The Audit staff reviewed an invoice from Chambers Associates, Inc., in the amount of \$117,316 for professional fees and expenses. This invoice stated that it was "for services performed and costs incurred prior to the November 1992 General Election." The General Committee paid this invoice on March 19, 1993. It is also noted that this is the only payment made to this vendor by the General Committee.

In response to the exit conference, the General Committee provided more invoices from the vendor to document in more detail the \$117,316 in expenses. According to these invoices, expenses were incurred beginning in August and continued until the time of the election. The General Committee also states that "Chambers Associates provided services in October related to economic issues. The original invoice was submitted to someone on the campaign staff in December or January but was misplaced. When the omission [sic] was noted, the Committee requested that the vendor provide another invoice which was received and paid in March." However, there is still no documentation from the vendor to demonstrate when this amount was originally billed and any subsequent billings or efforts to collect this amount.

Based upon the available information, it is our opinion that the extension of credit for this amount and this length of time does not appear to be in the ordinary course of business and results in a prohibited contribution pursuant to 11 CFR §116.3.

Recommendation #4

The Audit staff recommends that within 30 calendar days of service of this report, the General Committee provide documentation, to include but not be limited to, statements and invoices from the vendor detailing all billings and efforts to collect this amount; and explanations to demonstrate that the extension of credit from this vendor was in the ordinary course of business and does not represent a prohibited contribution pursuant to 11 CFR §116.3. 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.

Ne  
Lar

2. Itemization of Offsets to Operating Expenditures

Section 434(b)(3)(F) of Title 2 of the United States Code requires that each report include 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) of Title 2 of the United States Code defines, in part, the

ATTACHMENT

95070194633

term "identification" to be the name and mailing address of such person. Section 431(11) of Title 2 of the United States Code defines, in part, the term "person" to include an individual, partnership, committee, association, corporation, labor organization, or any other organization or group of persons.

The General Committee's receipt records were reviewed by the Audit staff to determine whether offsets to operating expenditures requiring itemization were disclosed properly. The Audit staff noted problems with respect to the disclosure of receipts from Worldwide Travel, Inc. ("Worldwide"). The General Committee utilized Worldwide to handle billings and receipts relative to press and U.S. Secret Service travel. As Worldwide received moneys, it would deduct credit card fees and a commission for its services. The net amount would then be transferred to the General Committee and reported on its disclosure reports as a receipt from Worldwide. There were no corresponding entries detailing the press organizations who actually paid for the travel. In addition, credit card fees and the fee charged by Worldwide for its services were not reported as a related disbursement.

When apprised of this at the exit conference, a General Committee official stated she thought that they had received Commission guidance concerning this but said she would have to check before she could respond.

Subsequent to the exit conference, the General Committee again states that "Committee staff was advised by someone at the FEC that its methods of reporting receipts for press travel from Worldwide complied with the reporting requirements of FECA." The General Committee also responds that its "method of reporting is consistent with the reporting requirements applicable when refunds and payments are received by a committee through a commercial vendor."

It is the Audit staff's opinion that, since Worldwide acted only as a billing/collection service, the amounts received from each press agency and the Secret Service should be disclosed on Schedules A-P as a memo entry to support each amount received from Worldwide. In addition, adjustments for the credit card fees deducted and commission charged by Worldwide should be disclosed as memo entries on Schedule B-P.

#### Recommendation #5

The Audit staff recommends that within 30 calendar days of service of this report, the General Committee file amended Schedules A-P and B-P to disclose the aforementioned offsets to expenditures, credit card fees, and commissions.

9597019434

### 3. Reporting of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code states that each report shall disclose the amount and nature of outstanding debts and obligations owed by or to such political committee; and where such debts and obligations are settled for less than their reported amount or value, a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the consideration therefor.

Section 104.11 of Title 11 of the Code of Federal Regulations states, in part, that debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. In addition, a debt, obligation, or written promise to make an expenditure, the amount of which is \$500 or less, shall be reported as of the time payment is made or no later than 60 days after such obligation is incurred, whichever comes first. Any loan, debt or obligation, the amount of which is over \$500, shall be reported as of the date on which the debt or obligation is incurred.

From the Audit staff's review of selected disbursements, we determined that the General Committee did not materially disclose its debts and obligations on Schedule D-P. Our review of General Committee invoices and related payments indicated outstanding debts and obligations totaling \$1,207,730 which were not reported as required on the General Committee's disclosure reports.

At the exit conference, General Committee representatives were provided photocopies of schedules detailing these debts and obligations. General Committee officials provided no explanations for these omissions.

Subsequent to the exit conference, documentation submitted by the General Committee states that "the Committee reported its debts and obligations as of the time the check request was approved and received in the accounting department. The Committee believes that its method of reporting debts was in full compliance with the reporting requirements." In addition, the General Committee provided a detailed schedule listing the dates on which the invoices were recorded.

The Audit staff finds the General Committee's response to be without merit. The Regulation determines when a debt shall be reported. The date the obligation is incurred is relevant, not the date at which a committee records an obligation.

#### Recommendation #6

The Audit staff recommends that within 30 calendar days of service of this report, the General Committee file amended Schedules D-P to disclose the aforementioned debts and obligations.

ATTACHMENT

PAGE 13 OF 13

9507019435

### III. Findings and Recommendations - Repayment Matters

#### A. Apparent Prohibited Contributions

Section 9003(b)(2) of Title 26 of the United States Code provides that in order to be eligible to receive any payments under section 9006, the candidate of a major party in a presidential election shall certify to the Commission, under penalty of perjury, that no contributions to defray qualified campaign expenses have been or will be accepted by such candidate or any of their authorized committees except to the extent necessary to make up any deficiency in payments received from the fund.

Section 9007(b)(3) of Title 26 of the United States Code states that if the Commission determines that the eligible candidates of a major party or any authorized committee of such candidates accepted contributions (other than contributions to make up deficiencies in payments) to defray qualified campaign expenses, it shall notify such candidate of the amount of the contributions so accepted, and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 441b(a) of Title 2 of the United States Code states, in relevant part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any election for federal office or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section, or any officer or any director of any corporation to consent to any contribution or expenditure by the corporation prohibited by this section.

In addition, Section 100.7(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that the term contribution includes a gift, advance or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.

Section 100.7(a)(1)(iii)(A) of Title 11 of the Code of Federal Regulations states that for purposes of 11 CFR 100.7(a)(1), the term "anything of value" includes all in-kind contributions. Unless specifically exempted under 11 CFR 100.7(b), the provision of any goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services is a contribution. Examples of such goods and services include, but are not limited to: securities, facilities, equipment, supplies, personnel, advertising services, membership lists, and mailing lists. If goods or services are provided at less than the usual and normal charge, the amount of

the in-kind contribution is the difference between the usual and normal charge for the goods or services at the time of the contribution and the amount charged the political committee.

Further, 11 CFR §100.7(a)(1)(iii)(B) defines, in relevant part, "Usual and normal charge" for goods as the price of those goods in the market from which they ordinarily would have been purchased at the time of the contribution.

During the Audit staff's review of disbursements and offsets to expenditures, we identified nine transactions which appear to result in prohibited contributions to the General Committee. The total of these apparent prohibited contributions is \$153,625 (see Attachment #2). A discussion of the circumstances surrounding these transactions follows:

1. Donated Equipment

Included with invoices to support a payment to a General Committee vendor were additional invoices which indicate that the vendor donated sound equipment for use during a rehearsal for a press conference to be held in Atlanta, Georgia. The stated value of this donated equipment was \$1,070. The General Committee was provided documentation relative to this matter during fieldwork. The matter was also addressed at the exit conference.

Subsequent to the exit conference the General Committee states, "as is customary practice for the company, the equipment for the rehearsal was made available at no charge because it was not rented for that time."

The Audit staff is not aware of the customary practice for providers of sound equipment. Absent a statement from the vendor demonstrating that this was indeed customary practice, it is our opinion that this transaction results in an in-kind contribution of \$1,070.

2. Payment Not Made by the General Committee

Upon reviewing documentation for payments to the General Committee's vendors, the Audit staff identified a payment credited to the General Committee's account with Opinion Research Calling which could not be associated with any payments made by the General Committee. This vendor, along with Greenberg-Lake, handled polling for the General Committee. The vendor provided an invoice summary which detailed charges and payments to the General Committee's account. Included on this summary was a \$13,130 payment made on 10/14/92. The Audit staff could not identify a related payment from General Committee bank accounts. The matter was addressed at the exit conference.

Subsequent to the exit conference, documentation provided by the General Committee states that "the \$13,130 came from Greenberg-Lake to pay for National Poll #19. It

9597019437

was paid for from funds they had received from Clinton/Gore General account." Based on documentation reviewed, it is apparent that Greenberg-Lake and Opinion Research Calling worked together on polls for the General Committee. The Audit staff reviewed documentation from Greenberg-Lake which contained an invoice summary for all charges and payments related to the General Committee. There is no indication on this summary that the General Committee was billed relative to National Poll #19. As a result, the documentation is still not available to demonstrate that this payment came from Greenberg-Lake and/or the General Committee.

### 3. Deposits Credited to General Committee Bills

From various reviews conducted throughout the audit, the Audit staff noted three deposits that were credited to General Committee bills. The source(s) of the funds used to make these deposits could not be identified or verified. The total of these deposits is \$28,325.

Two of these deposits involved phone companies. When reviewing refunds received by the General Committee, we noted that the General Committee was credited with a \$7,800 deposit made to one company and a \$19,525 deposit to another company. However, from our review of documentation relative to these vendors, it appears that the General Committee did not make these deposits.

The remaining deposit related to a vendor that provided sound and staging to the General Committee. Documentation from this vendor in support of a General Committee payment contains a credit for a \$1,000 deposit which does not appear to have been made by the General Committee. These matters were presented at the exit conference.

Subsequent to the exit conference, the General Committee provided no explanation or additional documentation relative to the two phone companies. With respect to the other vendor, the General Committee states that "the \$1,000.00 has been paid with check #12577 issued on 10-8-93." This response does not explain the source of payment of the \$1,000 deposit credited on the original invoice from the vendor. Therefore, it still appears that a \$1,000 payment was made to the vendor by someone other than the General Committee.

### 4. Amended Contracts

During the course of the campaign, the General Committee entered into contracts with four media related vendors, that called for consulting payments to be made on specific dates. Prior to the last payment date, the General Committee entered into amended media services agreements with these four vendors. One of the stated reasons for the amended agreements was that the "Consultant and the Committee recognized that certain of the

957/0194538

services provided by Consultant were for the benefit of the Democratic National Committee rather than the Committee." The amended agreements further stated that the Democratic National Committee ("DNC") and the vendor are entering into separate contracts "with respect to that portion of the Consultant's services to be provided to the DNC." The DNC did not report any payments to these vendors as coordinated party expenditures pursuant to 2 U.S.C. §441a(d)(2)5/. General Committee representatives were questioned about these amendments during fieldwork. They provided no response at that time.

At the exit conference, General Committee representatives explained that during the course of the election, it became apparent that these vendors were also performing services for the DNC and that it was recognized that the DNC should pay for part of the services. The Audit staff responded that more detail was needed to explain why part of the services provided were the responsibility of the DNC and not of the General Committee. The portions of the original amount contracted for, which the General Committee did not pay, total \$111,100.

Subsequent to the exit conference, the General Committee responded that "these contracts were amended to reflect the services actually performed by the individuals who were also working for the DNC. Their services for the DNC were on generic democratic media." This does not provide any more detail than the General Committee's response at the exit conference.

It is our opinion that, absent such documentation to demonstrate that the services provided related to the DNC, the General Committee has received contributions totaling \$111,100.

#### Recommendation #7

The Audit staff recommends that within 30 calendar days of service of this report, the General Committee provide documentation to include but not be limited to the following:

- With respect to subsection 1, a statement from the vendor addressing this matter, and any relevant comments to demonstrate that it did not receive an in-kind contribution totaling \$1,070.
- With respect to subsection 2, provide documentation and any relevant comments to demonstrate that the payment is not a contribution; document the \$13,130 payment (to

5/ The DNC reported that \$10,014,544.24 of its \$10,331,703 National Party Limit for the 1992 Presidential Election had been expended through June 30, 1993.

ATTACHMENT

9507019449

include copy of the negotiated check); and to explain the relationship between the vendors.

- With respect to subsection 3, provide documentation and a statement from each vendor documenting the source of these funds, and any relevant comments to demonstrate that the items do not constitute contributions.
- With respect to subsection 4, statements and documentation from the DNC and the media vendors demonstrating the services provided related to the DNC, and any relevant comments to demonstrate that the amended contracts do not result in a contribution.
- Absent a demonstration that the above items are not prohibited contributions, the Audit staff will recommend that the Commission make an initial determination the General Committee make a \$153,625 repayment to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(3).

**B. Apparent Non-Qualified Campaign Expenses**

Section 9002(11) of Title 26 of the United States Code defines, in part, the term "qualified campaign expense" as an expense incurred by the candidate of a political party for the office of President, by the candidate of a political party for the office of Vice President, by an authorized committee of the candidates of a political party for the offices of President and Vice President to further the election of either or both of such candidates to such offices. In addition, neither the incurring nor payment of such expense shall constitute a violation of any law of the United States or the State in which such expense is incurred or paid.

Section 9007(b)(4) of Title 26 of the United States Code states, in part, that if the Commission determines that any amount of any payment made to the eligible candidates of a political party 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 candidates of the amount so used, and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 9003.5(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) are qualified campaign expenses as defined in 11 CFR 9002.11.

ATTACHMENT 1

Page 18 of 18

950/0191640

Section 9007.2(b)(2) of Title 11 of the Code of Federal Regulations states, in relevant part, that if the Commission determines that any amount of any payment to an eligible candidate from the Presidential Election Campaign Fund was used for purposes other than to defray qualified campaign expenses, it will notify the candidate of the amount so used, and such candidate shall pay to the United States Treasury an amount equal to such amount.

#### 1. Apparent Duplicate Payments

During our review of disbursements, the Audit staff discovered expenses incurred by the General Committee which appear to have been paid more than once by the General Committee. We identified 27 such payments to 11 vendors totaling \$21,614. The General Committee was made aware of these items during the course of audit fieldwork and at the exit conference.

Subsequent to the exit conference, the General Committee provided additional documentation which demonstrated that some of these payments (about \$12,945) had subsequently been refunded. Most of these refunds (about \$8,907) occurred in September and October of 1993, after the conclusion of audit fieldwork.

There remains 12 payments to 4 vendors totaling \$8,669 which appear to be duplicate payments; the funds have not been recovered (see Attachment #3). For some of these payments, the General Committee has acknowledged that a duplicate payment did occur and that refunds will be forthcoming. For others, the General Committee states that the payments were applied to amounts outstanding. However, documentation has not been provided to confirm this. If any of the funds are recovered from the vendors or the documentation to demonstrate application of these amounts is provided, the amount subject to repayment will be reduced accordingly. The amounts of duplicate payments recovered (\$12,945) and outstanding (\$8,669) are included on the NOQCE as accounts receivable due from the respective vendors.

#### Recommendation #8

The Audit staff recommends that within 30 calendar days of service of this report, the General Committee submit documentation to demonstrate that apparent duplicate payments were either applied to other invoices or have been recovered. Absent such a demonstration, the Audit staff will recommend that the Commission make an initial determination that the General Committee make a repayment of \$8,669 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

## 2. Non-Campaign Related Activity

From our review of disbursements and the associated documentation made available by the General Committee, the Audit staff identified 16 disbursements totaling \$87,077 which appear to be for purposes other than to defray qualified campaign expenses (see Attachment #4).

Of the 16 items, 8 disbursements totaling \$70,295 were payments for rented equipment not returned or lost. Included is a disbursement of \$34,768 to Alamo Rent A Car ("Alamo") for two missing vehicles. One of these vehicles was rented in Florida and the other in Texas.

In response to the exit conference, the General Committee provided an explanation which detailed its attempts to recover the vehicles. From this documentation, it appears that the campaign staff who rented the vehicles allowed them to be used by a number of persons and eventually lost track of who had the vehicle. In both cases, the General Committee has not been able to determine who last had possession of the vehicles. Without this information, both Alamo and the General Committee are precluded from filing stolen vehicle reports with the appropriate authorities. The other seven payments were for items such as computers and communication devices which had been lost. The General Committee also stated in response to the exit conference that it was self-insured and that it was cheaper to pay for lost equipment than to maintain insurance.

The remaining 8 items do not appear related to the general campaign. One is a payment of \$350 for business cards invoiced after the close of the expenditure report period and another is a \$4,351 payment for installation of phones in New Jersey in 1993. Three payments totaling \$1,100 appear to be activities related to the post-election transition and two payments totaling \$2,251 were for the travel expenses of individuals attending the inauguration. In response to the exit conference, the General Committee stated that it has reviewed these payments and has requested reimbursement from the appropriate entities.

The remaining item was a \$8,730 payment in February, 1993, to Wright, Lindsey & Jennings. This payment was for retainer services and expenses incurred by the firm. The description on the invoices was for "Incorporation & General Advice." The firm provided invoices to support the incurrence of the expenses. Two of the expenses were to "file Articles of Incorporation for Little Rock '92 Election Host Committee, Inc.." This is the only documentation available to support the nature of the incorporation and general advice. The Little Rock '92 Election Host Committee is not affiliated with the General Committee, but is a corporation registered with the Arkansas

Secretary of State. Therefore, it appears, based on the documentation made available, this payment was not made to defray qualified campaign expenses.

Recommendation #9

The Audit staff recommends that within 30 calendar days of service of this report, the General Committee submit documentation which demonstrates that the expenses noted above are qualified campaign expenses. This documentation should include, but not be limited to, information on factors such as the relative value of the lost equipment and methods employed by the General Committee to safeguard the equipment. Absent such a demonstration, the Audit staff will recommend that the Commission make an initial determination that the General Committee make a repayment of \$87,077 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

C. Expenditure Limitation

Sections 441a(b)(1)(B) and (c) of Title 2 of the United States Code state, in relevant part, that no candidate for the office of President of the United States who is eligible under section 9003 of title 26 to receive payments from the Secretary of the Treasury may make expenditures in excess of \$20,000,000 as adjusted for the increases in the Consumer Price Index.

Section 9004(a)(1) of Title 26 of the United States Code states that the eligible candidates of each major party in a presidential election shall be entitled to equal payments under section 9006 in an amount which in the aggregate shall not exceed the expenditure limitations applicable to such candidates under Section 441a(b)(1)(B) of Title 2.

Section 9007(b)(2) of Title 26 of the United States Code states that if the Commission determines that the eligible candidates of a political party and their authorized committees incurred qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party were entitled under section 9004, it shall notify such candidates of the amount of such excess and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 9004.4(a) of Title 11 of the Code of Federal Regulations limits the use of such payments to expenditures for the following purposes: to defray qualified campaign expenses; to repay loans that meet the requirements of 11 CFR 100.7(a)(1) or 100.7(b)(11) or to otherwise restore funds used to defray qualified campaign expenses; and to restore funds in accordance with 11 CFR 9003.4 for qualified campaign expenses incurred prior to the beginning of the expenditure report period.

Section 9003.4(a) of Title 11 of the Code of Federal Regulations states, in relevant part, that a candidate may incur expenditures before the beginning of the expenditure report period

957/0194633

ATTACHMENT  
Page 27 of 27

if such expenditures are for property, services or facilities which are to be used in connection with his or her general election campaign. Examples given include expenditures for establishing financial accounting systems, organizational planning and polling.

Further, 11 CFR §9003.4(b), in relevant part, limits the sources of funds used to make expenditures prior to the expenditure report period to: a candidate obtaining a loan which meets the requirements for loans in the ordinary course of business; borrowing from his or her legal and accounting compliance fund; use of the candidate's personal funds up to his or her \$50,000 limit; and, for a candidate who has received federal funding under 11 CFR part 9031 et seq., borrowing from his or her primary election committee(s) an amount not to exceed the residual balance projected to remain in the candidate's primary account(s) on the basis of the formula set forth at 11 CFR 9038.3(c).

Section 9004.9(d)(1) of Title 11 of the Code of Federal Regulations states that the term capital asset means any property used in the operation of the campaign whose purchase price exceeded \$2000 when acquired by the committee. The fair market value of capital assets may be considered to be the total original cost of such items when acquired less 40% to account for depreciation.

Finally, 11 CFR §9003.3(a)(2)(ii) provides, in relevant part, that expenditures for computer services, a portion of which are related to ensuring compliance with Title 2 and Chapter 95 of Title 26, initially paid from the candidate's federal fund account may later be reimbursed by the compliance fund. A candidate may use contributions to the compliance fund to reimburse his or her federal fund account an amount equal to 70% of the costs (other than payroll) associated with computer services. Such costs include but are not limited to rental and maintenance of computer equipment, data entry services not performed by committee personnel, and related supplies.

The expenditure limitation for the 1992 general election for the office of President of the United States is \$55,240,000.

Based on our reconciliation of the General Committee's bank activity to its reported activity from its inception through June 30 1993, the Audit staff determined that the General Committee disbursed \$63,684,037. From this figure the Audit staff deducted loan repayments (\$125,000), offsets to operating expenditures (\$6,446,645) and a refund from the Compliance Fund (\$1,900,000) for compliance-related expenditures to arrive at operating expenditures subject to the limitation of \$55,212,392.

In addition, the Audit staff determined that, with respect to our analysis of expenditures subject to the limitation, the following additional adjustments are necessary.

ATTACHMENT

957/019444

1. Amount Due to the General Committee from the Primary Committee

The Audit staff has included as an accounts receivable \$39,104 owed to the General Committee by the Primary Committee.

This amount includes payments by the General Committee for: a reimbursement (\$2,255) to Julia Payne for her convention-related expenses; an overpayment (\$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); and, AT&T telephone services relative to the Primary Committee (\$21,528).

At the exit conference, General Committee representatives had limited comments, and stated they would have no questions until they had reviewed our documentation. The Audit staff has not received any documentation in response to these items.

2. Amount due the Primary Committee from the General Committee for Payment of General Election Related Expenses

During the Audit staff's review of the Primary Committee's vendor files, numerous disbursements made by the Primary Committee 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 Primary Committee began moving into new office space. It was this location that the General Committee and Compliance Fund 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 Primary 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 AND TERMINATE AS DIRECTED BY ANDY AULTZ." Although all of the invoices that contain the dates of the work

957/019415

indicate that it was completed by July 16, 1992, it is apparent that such services were in preparation for the general election campaign. 6/

During the primary election period, the Primary Committee's records reflect the purchase of only small amounts of computer equipment. Instead, most equipment was leased. Also, the Primary Committee contracted with a Washington, D.C. firm for computer services. The firm prepared matching funds submissions including computer tapes, disclosure reports, and provided the computer tapes required for the audit. The Primary Committee had a computer terminal linked with the vendor. It does not appear that the Primary Committee's computer files were loaded from the vendor's system to the Primary Committee's computer system until 1993. During the audit of the Primary Committee, copies of the computer files were obtained by the Audit Division directly from the vendor. Further, during audit fieldwork, the General Committee requested and was provided copies of the computer tapes that the vendor supplied to the Commission.

Beginning at the end of May, 1992, the Primary Committee purchased a large amount of computer equipment, both personal computers and a larger system. In most cases a 40% depreciation allowance was taken and the computer equipment was then sold to the General Committee at 60% of the purchase price, net of sales tax.

Between May 28 and July 15, 1992, the Primary Committee purchased 50 personal computers, software, and supplies from The Future Now, Inc.. Between June 1, and August 9, 1992, the Primary Committee paid The Future Now, Inc. \$118,742. The General Committee purchased this equipment for 60% of the original cost, less sales tax.

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 Primary 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.

6/ Certain electrical work and data installation occurred July 10 through July 16, 1992.

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 Primary Committee 60% of this original cost, less sales tax.

The Primary Committee also purchased computer equipment from W.P. Malone. The Primary Committee paid a \$104,175 invoice dated June 30, 1992 on August 25, 1992. As with the other equipment purchased from the Primary Committee, the General Committee paid 60% of the original cost, less sales tax.

In addition, W.P. Malone was paid \$33,260 on August 25, and November 9, 1992 for programming services and 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 Primary Committee submitted additional information. The Primary Committee objects to the Audit staff characterization of these payments as general election expenses. According to the Primary 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 Primary Committee states that the initial computer system was inadequate for the Primary Committee's needs in the early months of 1992. The system was unable to accommodate the Primary Committee's expanding database and volume of correspondence, as well as to accommodate the Primary Committee's delegate tracking and communications.

The Primary 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 Primary 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 Primary Committee purchased a comprehensive computer system and software on May 28,

9507019437

250  
1  
250

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." In addition the Primary 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 the Primary 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 system and 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 is \$540,313 excluding I-K Electric. Given that: (a) the Primary Committee contracted with a Washington, D.C. firm for much of its computer work, (b) leased the majority of its computer equipment, and (c) the purchases were not made and the temporary system not installed until nearly all primaries were over, with the permanent system 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 general election expenses. The General Committee paid the Primary Committee \$285,923 for the computer equipment, leaving a balance due of \$254,390 (\$540,313 - \$285,923), plus \$79,808 for wiring.

In addition to the above the Primary 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.

b. Polling

The Primary Committee conducted a number of opinion polls between mid-June 1992 and the convention. The Primary Committee paid two firms, Greenberg-Lake and Opinion Research Calling, for work in connection with these polls. The invoices that could be associated with these polls indicated Greenberg-Lake was paid \$108,621 including \$37,500 in consulting and \$12,733 in travel, and are treated as general election expenses. In addition, Opinion Research Calling was paid \$93,904. Four of the polls were identified on invoices as 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.

In response to the Audit staff presentation in the exit conference, the Primary Committee argues 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 Primary 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 Primary 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. It should be noted that one of the types of pre-expenditure report period expenditures 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 Primary Committee states that polls were used to monitor and maintain delegate support, but failed to provide evidence or documentation which establishes how this was accomplished.

c. General Election Media Expenses

Both the Primary 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 his acceptance speech, 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 Primary 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. ("DNCC") paying \$30,000. A revised version of this film was aired by the Democratic National Committee during the week of August 16-20, 1992. The cost of that broadcast was considered a coordinated party expenditure pursuant to 2 U.S.C. §441a(d)(2). A revised version was also aired by the General Committee during the period October 9-12, 1992.

Given no known use of the film during the primary period, all costs associated with the film are general election expenses. This transaction has the effect of increasing expenditures subject to the overall limitation.

In addition to the cost of producing the film discussed above, a number of other general election media expenses were paid by the Primary Committee. An invoice dated July 20, 1992 for \$6,109 for work relating to focus groups was identified. One of two versions of the invoice notes 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. 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 in the amount of \$18,889 is one of a number that billed the Primary 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 general election expense.

Finally, the Primary Committee paid an invoice dated August 20, 1992, noted as for a "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.

In summary, the Audit staff identified \$195,427 in media expenses paid by the Primary Committee which, based on the information available, appear to have benefited the

9507019480

Candidate's general election campaign. As such, these expenses should have been defrayed by the General Committee. No additional information has been received concerning these expenses.

d. Miscellaneous General Expenses

A number of other expenses were noted that are considered to be general election expenses paid by the Primary Committee. Each is discussed briefly below:

- The Primary Committee purchased 150,000 copies of the book Putting People First. The total cost was \$110,286 based on invoices dated July 6 and 10, 1992. The Primary Committee 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 Primary 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.

In response to presentation of this matter at the exit conference, the Primary Committee states that it does not agree that there is a receivable from the General Committee. In their opinion the majority of the publications were used during the primary and the Democratic National Convention. They also state, that the value of the publications was 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.

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 does not characterize the books as either a capital or other asset but rather a general election expense paid by the Primary Committee,

95070194651

- The Primary 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 Primary Committee paid \$10,003 of this amount. This is considered a general election expense.
- The Primary Committee chartered aircraft from Air Advantage. Payments via wire transfers were made in advance and charges were applied as incurred. At the end of the primary election period (7/15/92) a credit balance existed that was applied by Air Advantage to general election charges. The Primary Committee performed a reconciliation and determined that \$27,222 was due from the General Committee. In addition, the Primary Committee had paid \$17,000 for a reconfiguration of the aircraft, bringing the total amount due from the General Committee, per the Primary Committee's reconciliation, to \$44,222. Subsequently, the Primary 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.
- The Primary Committee made other payments to various vendors that appear to be related to 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 Committee and the General Committee for the month of July, 1992. The total amount is \$20,066.

Attachment #5 depicts all items discussed above with an amount due to the Primary Committee from the General Committee of \$879,361. This figure is also included on the General Committee's NOQCE statement at Attachment #1.

3. Executive Jet Management

An internal Primary Committee memorandum dated June 2, 1993 notes an overpayment to this vendor. The vendor sent a refund check to the General Committee which included \$4,778 which was properly due to the Primary Committee. The Audit staff's review indicates this is a payable due the Primary Committee by the General Committee. This amount (\$4,778) was included as an offset to expenditures by the General Committee and therefore reduced expenditures subject to the spending limit. Thus, \$4,778 has been added to our analysis of expenditures subject to the spending limitation.

4. Alamo Rent A Car National Contract

In an internal memorandum dated May 18, 1993, the Primary Committee notes that based upon its analysis a total of \$43,420 should be transferred from the General Committee to the Primary Committee. The amount represents an overpayment by the Primary Committee credited by the vendor to the General Committee. Accordingly, this amount (\$43,420) was not reported as a disbursement by the General Committee and thus was not included in expenditures subject to the spending limitation. Therefore, the Audit staff has included this amount in its analysis of expenditures subject to the spending limitation.

5. Sprint & C&P Telephone

During fieldwork, the Audit staff identified overpayments to Sprint. The overpayments, which appear to have resulted mostly from bills having been paid twice, were made by both the Primary Committee and the General Committee.

Documentation provided by the General Committee indicates that refunds were received which included amounts overpaid by both committees. The documentation notes that refunded amounts totaling \$19,198 were moneys due the Primary Committee. This amount was included as an offset to expenditures to the General Committee and therefore reduced expenditures subject to the spending limit.

In response to an exit conference presentation, the Primary Committee submitted documentation relative to C&P Telephone which indicated that the Primary Committee made overpayments of \$3,606 which were credited to the General Committee's account. This amount was not reported as a disbursement and thus was not included in expenditures subject to the spending limit.

Therefore, the General Committee owes the Primary Committee a total of \$22,808 (\$19,198 + \$3,606) relative to these two vendors which the Audit staff has included in its analysis of expenditures subject to the overall spending limitation.

6. Adjustment for Duplicate Payments to be Refunded

The Audit staff has made an adjustment for duplicate payments recovered from vendors and those yet to be resolved totaling \$21,614 (see Finding III.B.1. above).

7. Adjustment for Apparent Non-Qualified Campaign Expenses

The Audit staff has made an adjustment for non-qualified campaign expenses totaling \$87,077 (see Finding III.B.2., above.)

8. Adjustment for Accounts Payable reported as Outstanding at June 30, 1993

An accounts payable total of \$549,770 is added to operating expenditures. This amount represents accounts payable reported by the General Committee as outstanding as of June 30, 1993. The General Committee provided a listing of these accounts payable to support the reported figure.

Included in the listing is a debt owed to the Primary Committee in the amount of \$78,541.07. However, no documentation or explanation was provided detailing the nature of the debt. The Audit staff is concerned this debt (\$78,541) may duplicate amounts owed to the Primary Committee which we have identified above (Finding III.C.2., 3, 4, and 5); and, would result in an overstatement of expenditures subject to the overall spending limitation. Should additional documentation indicate an overstatement, the amount subject to the spending limitation will be adjusted accordingly.

9. Amount owed to DSCC WIN '92 by the General Committee

Based on documentation submitted by the General Committee subsequent to the exit conference, a refund received from SNET included funds paid by DSCC Win '92 "for additional service for the coordinated campaign." The General Committee states it "will refund the appropriate share to the DSCC" (\$1,239). This amount was reported by the General Committee as an offset to expenditures which reduced expenditures subject to the spending limit. Thus, the Audit staff has included \$1,239 on its analysis as an increase to expenditures subject to the spending limitation.

10. Adjustment for Capital Assets

Based on the Audit staff's review of the available documentation, the cost of computers and related equipment transferred from the Primary Committee to the General Committee was determined to be \$540,313. (See Finding III.C.2.a.) Based upon 11 CFR §9003.3(a)(2)(ii), the Audit staff then allocated 70%

05970194

of the cost of these assets as compliance related; the remaining 30%, or \$162,094 (\$540,313 x 30%) were considered capital assets of the General Committee. Adjusting for depreciation, the value of the General Committee's capital assets was determined to be \$97,256 (\$162,094 x .60).

This adjustment recognizes that the sale of assets would result in a partial recoupment of expenditures made to procure these assets.

11. Expenditures That May be Reimbursed to the General Committee from the Compliance Fund

The Audit staff utilized the General Committee's disbursement database to identify \$1,829,239 in compliance-related expenditures made through December 4, 1992 (the end of the expenditure report period). In addition, a 100% review of disbursements made by the General Committee from December 5, 1992 through June 30, 1993 identified an additional \$900,414 in compliance-related expenditures. Based upon the above, expenditures totaling \$2,729,653 (\$1,829,239 + \$900,414) could have been paid by the Compliance Fund.

After adjusting for a \$1,900,000 transfer from the Compliance Fund on November 2, 1992, there remains \$829,653 (\$2,729,653 - \$1,900,000) that may be reimbursed.

Shown below is a presentation of the Audit staff's analysis of expenditures subject to the limitation:

CLINTON GORE '92 COMMITTEE  
Expenditures Subject to the Spending Limitation  
as Determined by the Audit Staff at 6/30/93

1. Correct Reportable Disbursements from Inception through June 30, 1993	\$63,684,037 <sup>7/</sup>
<u>Adjustments to Correct Reportable Disbursements</u>	
2. Less: Loan Repayment	(\$125,000)
3. Less: Offsets to Operating Expenditures	(\$6,446,645)

<sup>7/</sup> This figure does not include Worldwide commissions and credit card charges netted from amounts forwarded to the General Committee. Such an adjustment would also require an adjustment to offsets received by the General Committee, resulting in offsetting adjustments and no change in the final amount of expenditures subject to the spending limitation.

950/0194655

4. Less: Reported Accounts Receivable Due at 6/30/93 <sup>B/</sup>	(\$683,671)
5. Less: Refund from the Compliance Fund	(\$1,900,000)
6. Less: Amount Receivable from the Primary Committee (See Finding III.C.1.)	(\$39,104)
7. Add: Amount due to the Primary Committee (See Finding III.C.2., 3., 4. & 5.)	\$950,365
8. Less: Duplicate Payments (See Finding III.C.6.)	(\$21,614)
9. Less: Non-Qualified Campaign Expenses Subject to Repayment (See Finding III.C.7.)	(\$87,077)
10. Add: Reported Accounts Payable at 6-30-93 (See Finding III.C.8.)	\$549,770
11. Add: Amount due DSCC Win '92 from The General Committee (See Finding III.C.9.)	\$1,239
12. <del>Less: Adjustment for Capital Assets (See Finding III.C.10.)</del>	<del>(\$97,256)</del>
13. Add: Donated Equipment (See Finding III.A.1.)	\$1,070
14. Add: Payments Not Made by the General Committee (See Finding III.A.2.)	\$13,130
15. Add: Deposits Credited to General Committee Bills (See Finding III.A.3.)	\$28,325
16. Add: Amended Contracts (See Finding III.A.4.)	\$111,100
17. Add: Income Earned Credited to Vendor Invoices (See Finding III.D.)	<u>\$7,830</u>

B/ It should be noted that this figure does not include about \$190,000 in media refunds still under review by the General Committee's media vendor. The vendor is still reviewing these items to determine if the money is due the General Committee or to the DNC as a result of 441a(d) expenditures. After the determination is made and the Audit staff has reviewed the documentation, this figure will be adjusted accordingly.

Adjusted Expenditures Subject to the Spending Limitation	\$55,976,499
Less: Limitation (2 U.S.C. §441a(b)(1)(B))	<u>(\$55,240,000)</u>
Amount Over/(Under) the Limit	\$706,499
Less: Expenditures that may be Reimbursed By the Compliance Fund - Total Available \$829,653 (See Finding III.C.11.)	<u>(\$706,499)</u>
Amount in Excess of the Spending Limitation	\$-0-

Based on the above analysis, it appears that the General Committee has exceeded the limitation at 2 U.S.C. §441a(b)(1)(B) in the amount of \$706,499. However, it is recognized that reimbursements permitted from the Compliance Fund as noted above would eliminate any excessive amount and resulting repayment.

At the exit conference, these matters were presented to the representatives of the General Committee and the Compliance Fund who disagreed with the Audit staff's treatment of many of these items.

#### Recommendation #10

The Audit staff recommends that, within 30 calendar days of service of this report, the General Committee provide evidence that the expenditure limitation has not been exceeded and provide details with respect to the debt to the Primary Committee (\$78,541) reported at June 30, 1993.

It is further recommended that the General Committee provide the following information regarding Equipment and Facilities:

- In chronological order, list the various computer systems and data entry services used by the Primary Committee, the General Committee, and the Compliance Fund 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 General Committee, and how the systems differed from each other.

- For the listed vendors provide the requested information:

W.P. Malone

-Describe the system (CCI6/32 Superminicomputer and related items) originally leased (or purchased) from this vendor by listing the hardware, software, and peripheral devices making up the system.

05070194

*Ne List*

- Explain and document which general campaign functions were actually performed on that computer system, including the identification of the application (e.g. office automation, delegate tracking, accounting/general ledger).
- Identify the software used for each function.
- Explain and document which portion of the leased system (hardware and software) was acquired by the Primary Committee, the General Committee, or the Compliance Fund and when these items were moved to the Gazette Building from the campaign's previous locations.
- Explain and document when any portion of the W.P. Malone system acquired by the General Committee and Compliance Fund was: purchased; delivered; installed; and fully operational.

#### ICL, temporary system

- Describe the system borrowed by the campaign from this vendor prior to the installation of the permanent system by listing the hardware, software, and peripheral devices making up the system.
- Explain and document which general election campaign functions were 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 general election 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 originally purchased from this vendor by listing the hardware, software, and peripheral devices making up the system.
- Explain and document which general election 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 on the system leased from W.P. Malone, or on the temporary system.
- Explain and document which general election campaign functions the system performed that each of the the previous systems was not performing.

New  
Langt

25070191

-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 General Committee provide the same information and documentation specified for the systems originally leased from W.P. Malone or originally purchased from ICL.

• 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.

• Explain why the Primary Committee took a 40% depreciation on the computers that were purchased for the primary campaign.

With respect to the Polling expenses discussed above, 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. Explain and document any other use of the polls. Provide a breakdown of the costs associated with each poll, including the Greenberg-Lake consulting and travel costs. Also provide information on any use of the polling results by the General Committee or the Compliance Fund.

Further, the Audit staff recommends that the General Committee provide documentation to demonstrate that the other items noted above should not be included in the calculation of expenditures subject to the spending limitation.

Absent such evidence, the Audit staff recommends that the Compliance Fund transfer to the General Committee \$706,499 for expenditures that may be paid by the Compliance Fund in order to reduce General Committee expenditures subject to the expenditure limitation and provide evidence of such transfer. The evidence is to include a copy of the front and back of the negotiated check or a copy of the debit and credit memos.

D. Income Earned by the General Committee

Section 9004.5 of Title 11 of the Code of Federal Regulations states, in relevant part, that the investment of public funds or any other use of public funds to generate income is permissible, provided that an amount equal to all net income

ATTACHMENT

95970194

1/2/92

derived from such investments, less Federal, State and local taxes paid on such income, shall be repaid to the Secretary.

Section 9007.2(b)(4) of Title 11 of the Code of Federal Regulations states that if the Commission determines that a candidate received any income as a result of investment or other use of payments from the Fund pursuant to 11 CFR 9004.5, it shall so notify the candidate and such candidate shall pay to the United States Treasury an amount equal to the amount determined to be income, less any Federal, State, or local taxes on such income.

The media vendor utilized by the General Committee maintained an interest bearing escrow account on behalf of the General Committee. The account was opened on August 14, 1992 and through April 30, 1993, the General Committee had earned interest totaling \$6,613. As of May 22, 1993, \$5,448 of the interest earned by this account was applied by the vendor against the General Committee's media buys.

In addition, the Audit staff identified \$1,217 in interest credited to a General Committee phone bill from Southwestern Bell. The interest was earned on a deposit held by the phone company. Thus, the General Committee earned a total of \$7,830 (\$6,613 + \$1,217) in interest.

With respect to our review of this matter, the Audit staff is unaware of any taxes paid relative to this income. Therefore, it appears that a payment to the U.S. Treasury in the amount of \$7,830 is warranted. In addition, the Audit staff has requested statements for the media escrow account subsequent to April 30, 1993, in order to determine any additional interest earned by the General Committee.

#### Recommendation #11

The Audit staff recommends that within 30 calendar days of service of this report, the General Committee provide documentation, to include but not be limited to bank statements, that demonstrates the amount of interest earned by the General Committee subsequent to April 30, 1993. Further, if any Federal and/or State income tax has been paid on this income, the General Committee should submit copies of the relevant tax returns. Absent a demonstration that the interest should not be considered income and that taxes have been paid, the Audit staff will recommend the Commission make an initial determination that \$7,830 is payable to the United States Treasury.

#### E. Stale-Dated Checks

Section 9007.6 of Title 11 of the Code of Federal Regulations states that if the committee has checks outstanding to creditors or contributors that have not been cashed, the committee shall notify the Commission. The committee shall inform the Commission of its efforts to locate the payees, if such efforts

ATTACHMENT

PAGE 38

of 28

95070194340

have been necessary, and its efforts to encourage the payees to cash the outstanding checks. The committee shall also submit a check for the total amount of such outstanding checks, payable to the United States Treasury.

The Audit staff performed bank reconciliations through June 30, 1993 for both the General Committee and the Compliance Fund. The Audit staff identified stale-dated checks relative to the General Committee totaling \$73,668 (See Attachment #6); and stale-dated checks with respect to the Compliance Fund totaling \$3,631 (See Attachment #7).

At the exit conference representatives for both committees were provided with photocopies of workpapers detailing the above noted stale-dated checks.

As part of the documentation submitted in response to the exit conference, the General Committee provided a list of the stale-dated checks annotated with the action taken with respect to each item; such as, a replacement check was issued or that the check had been voided. However, no documentation other than bank statements supporting these actions was provided. Based on the bank statements provided, the Audit staff was able to determine that \$11,139 in stale-dated checks have either cleared the bank or been replaced by checks which have cleared the bank. Therefore, \$62,529 (\$73,688 - \$11,139) in stale-dated checks remain for the General Committee.

Recommendation #12

The Audit staff recommends that, within 30 calendar days of service of this report, the General Committee and the Compliance Fund provide evidence that:

- the checks are not outstanding (i.e., copies of the front and back of the negotiated checks and bank statements); or
- the outstanding checks are void (copies of the voided checks with evidence that no obligation exists, or copies of negotiated replacement checks); or
- inform the Commission of the Committees' attempts to locate the payees to encourage them to cash the outstanding checks or provide evidence documenting the Committees' efforts to resolve these items.

Absent such information, the Audit staff will recommend that the Commission make an initial determination that stale-dated checks totaling \$66,160 (\$62,529 + \$3,631) are payable to the United States Treasury.

95070194631

IV. Recap - Amounts Repayable to the United States Treasury

Presented below is a recap of the amount recommended by the Audit staff as subject to the repayment provisions of 11 CFR §§9007.6 and 9007.2(b)(2) and 26 U.S.C. §9007(b)(3):

Finding III.A., Apparent Prohibited Contributions	\$153,625
Finding III.B., Non-Qualified Campaign Expenses	
1. Apparent Duplicate Payments	\$ 8,669
2. Non-campaign Related Activity	\$ 87,077
Finding III.D., Income Earned	\$7,830
Finding III.E., Stale-Dated Checks	\$ <u>66,160</u>
Total Recommended Repayment	<u>\$323,361</u>

250 / 0194662

BEFORE THE FEDERAL ELECTION COMMISSION

July 6, 1994

RESPONSE OF CLINTON/GORE '92 COMMITTEE  
AND CLINTON/GORE '92 GENERAL ELECTION COMPLIANCE FUND  
TO THE INTERIM REPORT OF THE AUDIT DIVISION

This response is filed on behalf of Clinton/Gore '92 Committee (the "General Committee") and Clinton/Gore '92 General Election Compliance Fund (the "Compliance Fund") to the Interim Report of the Audit Division ("Interim Report"). The Committees' response is numbered according to the proposed findings of the Audit Division as set forth in the Interim Report. For the Commission's convenience we have also included a summary of the major issues contained in the Report and a guide to the Committees' responses thereto.

I. Summary

There are several issues raised in the Interim Report that merit special attention by the Commission because they each have a significant impact on the Committee's NOQCE or repayment determination.

1. The Compliance Fund:

o The auditors' recommendation that a joint Primary fulfillment/Compliance Fund solicitation should have been allocated 50/50 instead of 85/15, as reasonably allocated by the vendor, is factually and legally unsupported, and its adoption would result in an improper decrease of \$130,823 in the Primary Committee's entitlement. See Section II.A.2.a. below.

o The auditors' recommendation that the compliance Fund must reimburse the Primary Committee for \$1,296,517 is contrary to the Commission's regulations at 11 C.F.R. § 110.1(b) and § 9003.3(a)(1)(iii), and its adoption would result in an improper decrease of \$1,296,517<sup>1</sup> in the Primary Committee's entitlement. See Section II.A.2.b. below.

2. The General Committee

o The auditors' recommendation that amended contracts entered into with four

---

<sup>1</sup>This number could be as high as \$2,444,557. See Section II.A.2.b. below.

05070194333

committee vendors should be considered prohibited contributions is without legal support, is contrary to the records provided by the Committee, and its adoption would result in an improper repayment determination of \$111,100. See Section III.A.4. below.

o The auditors' recommendation that the Committee should repay \$70,295.61 for the cost of lost and stolen equipment paid to the Committee vendors would unfairly penalize the Committee which made substantial efforts to locate the missing items and which would have been unable to obtain reasonably-priced insurance against such losses. See Section III.B.2. below.

o The auditors' recommendation that the General Committee should reimburse the Primary Committee for the full cost of \$540,313 of equipment purchased by and used by the Primary Committee is directly contrary to the Commission's regulations at 11 C.F.R § 9034.5(c)(1), and its adoption would improperly decrease the Primary Committee's entitlement by \$254,390.<sup>2</sup> See Section III.B.2. below.

o The auditors' recommendation that polling costs of \$202,525 incurred prior to the Primary date of ineligibility should be reimbursed by the General Committee is unsupported by the Commission actions, and its adoption would improperly decrease the Primary Committee's entitlement by \$202,525. See Section III.C.2.b. below.

o The auditors' recommendation that the costs of the biographical film introducing Bill Clinton to the Convention should have been paid by the General Committee is contrary to the Commission's regulations at 11 C.F.R. § § 9032.9(a), 9033.5(c), 9032.6(a), inconsistent with prior Commission actions, and its adoption would improperly decrease the Primary Committee's entitlement by \$161,273. See Section III.C.2.c. below.

o The auditors' recommendation that the General Committee should reimburse the Primary Committee \$60,420 for pamphlets printed for use in the primary and not used in the general is contrary to the Commission's regulations at 11 C.F.R. § § 9032.9 and 9034.5(c)(1), and its adoption would improperly decrease the Primary Committee's entitlement by \$60,420. See Section III.C.2.d. below.

The Committees' arguments on these issues are set out fully below and supported by additional documentation and testamentary evidence. Even a cursory glance at these issues strongly suggests that the auditors' efforts in these audits were to seek out specific disbursements made by the Primary and create arguments as to why these items should have been paid by the General Committee, for the sole purpose of decreasing the Primary

---

<sup>2</sup>This amount is further increased in the Interim Report by an additional \$79,808 for related wiring.

9570194634

Committee's entitlement and creating high an artificially Primary repayment.

## II. Findings and Recommendations Relative to Non-Repayment Matters

### A. Clinton/Gore '92 General Election Compliance Fund

#### 1. Disclosure of Occupation and Name of Employer

As noted in the Interim Report, the Compliance Fund sent a mailing on July 19, 1993 requesting occupation and employer information from those contributors from whom the Compliance Fund had not previously received the information. As further noted in the Report, the Compliance Fund has previously submitted a copy of the letter and a listing of the addressees to the Audit Division. This mailing demonstrates that best efforts were made to obtain the information. In addition, the Compliance Fund has filed Amendments to its Schedules A-P disclosing the information obtained from this mailing.

The Compliance Fund further notes that all solicitations for contributions to the Compliance Fund were accompanied by a request for contributor information in compliance with 11 C.F.R. § 104.7. Copies of sample contributor cards are attached to this response. ~~Exhibit 1. The Compliance Fund made best efforts to request contributor information as required by § 104.7 at the time of solicitation, and reported the information received. To the extent that some information may have been received but not reported, as speculated in the Interim Report, the omission was inadvertent and may have been due to data entry errors.~~

#### 2. Funds from Non-Allowable Sources

The Interim Report raises two issues under this heading: payment of certain fundraising expenses by the Primary Committee which the auditors allege should have been defrayed from the Compliance Fund, and contributions received after the primary date of ineligibility which were treated as contributions to the Compliance Fund. As set forth below, the Compliance Fund disagrees with the auditors' recommendations on these matters. The fundraising expenses in question were properly allocated between the two committees, and the contributions in question were properly considered contributions to the Compliance Fund.

##### a. Fundraising Expenses Paid by the Primary Committee

The auditors have questioned allocation of payments for three fundraising matters: allocation of costs between primary fulfillment and Compliance Fund solicitations for joint mailings conducted by Strategic Political Response ("SPR"); payment by the Primary Committee for creation of a "Master File" by SPR; and payment by the Primary Committee of \$1,720 to defray Compliance Fund expenses. As noted in the Interim Report, the Committee does not dispute that the \$1,720 should have been paid by the Compliance Fund. That amount

95970194555

was refunded to the Primary Committee on June 10, 1994.

Primary Fulfillment and Compliance Fund Solicitation by SPR - During August and September 1992, SPR sent two joint mailings on behalf of the Primary Committee and the Compliance Fund. The purpose of these mailings was dual: primary fulfillment and solicitation of contributions to the Compliance Fund. SPR, the direct mail vendor, determined the appropriate cost allocation to be 85% Primary and 15% Compliance Fund, based on generally accepted accounting standards applicable to dual purpose mailings by nonprofit organizations.

Attached is an affidavit from SPR detailing again the basis on which the allocation was determined. Exhibit 2. In addition, SPR has provided information regarding what the costs would have been had separate mailings been sent. This information clearly supports the allocation used by SPR, as well as supporting the reasonableness of the standard accounting practice followed by SPR.<sup>3</sup>

The auditors, on the other hand, give no basis for their proposed division of the costs on a 50/50 basis other than the fact that there are two committees involved. This position is contrary to the Commission's allocation regulations which provide that expenses should be allocated on the basis of "the benefit reasonably expected to be derived" from the activity. 11 C.F.R. § 106.1(a).

The auditors, on the other hand, give no basis for their proposed division of the costs on a 50/50 basis other than the fact that there are two committees involved. This position is contrary to the Commission's allocation regulations which provide that expenses should be allocated on the basis of "the benefit reasonable expected to be drived" from the activity. 11 C.R.F. § 106.1(a).

As the Strategic Response affidavit details, Strategic Response determined the 85-15 allocation using generally accepted accounting principles as well as a reasonable, common sense approach to the matter. The principal purpose of both mailings was to fulfill promises made in earlier Primary solicitations. As a matter of efficiency and conservation, the mailings served a secondary function by including a Compliance Committee solicitation as well. Faced with determining a cost allocation between the two Committees, Strategic Response relied on the approach espoused by the American Institute of Certified Public Accountants, Postion 87-2, and approach widely used throughout the direct mail fundraising

<sup>3</sup> The auditors suggest that the American Institute of Certified Public Accountants Statement of Position 87-2 relied on by SPR in allocating the costs of the mailing is irrelevant because "FECA matters are not governed by this accounting publication." Interim Report p. 7. It appears, however, that the auditors rely on what they call standard accounting practice whenever that produces a result they like, but reject it when it does not.

957/0194666

community (see the AICPA discussion contained in the Strategic response affidavit paragraph 4). As embraced by the AICPA and mandated by reason, Strategic Response estimated the relative costs associated with each separate issue. Their estimates proved to be extremely accurate.

The production cost of the fulfillment material for the pin fulfillment was \$232,345.79 (88% of the total production cost of the mailing). The production cost of the solicitation letter and associated components (reply device and envelope) was \$28,791.05 (11.1% of the total production cost of the mailing). The production cost of the fulfillment material for the Photo fulfillment was \$106,782.40 (85.7% of the total production cost of the mailing). The photo fulfillment mailing contained no separate solicitation material, but rather a letter expressing the Primary Committee's gratitude for the earlier contribution. Included in the letter of gratitude was a line encouraging a contribution to the Compliance Committee. Strategic Response derived the appropriate cost allocation by assigning 20 percent of the cost of the letter (roughly equivalent to the space that the contribution request occupied) to the Compliance Committee - \$17,872 (14.3% of the total production cost of the mailing).

The Commission has previously taken the position that a Committee, and in this case the Committee's professional vendor, must be allowed wide discretion to use their best judgment under the circumstances to determine the proper allocation of costs between primary and general election compliance funds. The wisdom of this position recognizes the difficulties faced by both the Committees and the vendors that serve them during an election cycle. Additionally, this approach recognizes that upon a showing of reasonable methods, the Audit Divisions' ex poste preferences should not override a reasonable method used at the time of allocation.

The Audit Division further contends that invoices totaling \$69,660 submitted by SPR for work performed on the Primary Committee's Master file are general election expenses. As the SPR affidavit demonstrates, the invoices reflect expenses incurred in connection with and properly charged to the Primary Committee. Pursuant to the Strategic Response - Committee Agreement dated May 11, 1992, paragraph 12, the master file is the "property of the Committee". Additionally, under the terms of the the Agreement, Strategic Response was required to fully process the contributor information. This obligation did not conclude upon nomination of the candidate at the Democratic National Convention. On the contrary, responses from solicitations mailed during the primaries continued to flow into the campaign. After these responses were keyed into the system, the file then had to be cleaned and merged into a variable length master file which is a database as opposed to a string of unrelated data. This updating and processing continued well beyond the date that the last donation was received from the Primary mailings and well beyond the Democratic National Convention.

Not only does the processing of a master file continue beyond the Democratic National Convention, but its usefulness does so as well. As the Strategic Response affidavit explains "A master file may be of significant surviving value to the entity which owns it, as it serves a

95770194657

crucial function as both a historical document as well as providing an important record of those people who are most likely to contribute again in the future." In addition to appreciating its immense historical value, the Committee was particularly concerned that the master file be completed and available as a potential source of future Primary contributions. There was significant concern in May, 1992, that the Primary Committee was going to fall considerably short of fundraising goals, requiring efforts beyond the Convention to retire the debt. A complete master file was crucial to any future debt retirement fundraising effort.

As noted previously, the Compliance Fund has reimbursed the Primary Committee \$1,720. The additional \$200,483 were properly paid by the Primary Committee and no additional reimbursement is owed.

b. Funds Redesignated from the Primary Committee

The Interim Reports for both the Primary Committee and the Compliance Fund seek reimbursement from the Compliance Fund to the Primary of \$1,296,517 in contributions deposited in the Compliance Fund. The auditors argue that these amounts were improperly redesignated from the Primary Committee to the Compliance Fund and therefore should be transferred back to the Primary and included as assets of the Primary Committee.

This position is incorrect for numerous reasons set out more fully below, including the following: first, under 11 C.F.R. § 110.1(b)(2)(ii) over \$2,444,557 of these contributions were in fact contributions to the Compliance Fund and no redesignation was necessary; second, the Committee obtained timely statements from the contributors that these contributions were to the Compliance Fund; third, after the date of ineligibility, the Committee made the best calculation it could based on the information available to it at the time to determine the date after which the candidate would have no remaining entitlement, and the Committee should not now be penalized for having to make that calculation without the benefit of hindsight.

o Under 11 C.F.R. § 110.1(b)(2)(i), a contribution not designated in writing is considered a contribution for the next election after the contribution is made. Thus, contributions received after the date of the primary or nominating convention, as applicable, are considered for the general election. In order to be considered designated in writing for a particular election, a contribution must meet one of the following tests: (1) the check or other negotiable instrument itself must clearly indicate the particular election with respect to which the contribution is made; (2) the contribution must be 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 properly redesignated. 11 C.F.R. § 110.1(b)(4).

Under 11 C.F.R. § 100.2(b), "election" means a "general" election, "primary"

95070194608

election, "runoff" election, "caucus", "convention" or "special" election. The other relevant statutory provision to this is 11 C.F.R. § 9003.3(a)(1)(iii) which states in relevant part that "contributions that are made after the beginning of the expenditure report period but which are designated for the primary election... may be redesignated for the legal and accounting compliance fund.... Contributions that do not exceed the contributor's limit for the primary election may be redesignated... 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 C.F.R. § 110.1 are satisfied; and (D) The contributions have not been submitted for matching." (emphasis added)

The auditors focused here on whether these contributions were properly redesignated to the Compliance Fund, but in fact, in order to have been considered primary contributions in the first instance, the regulations required that they be designated in writing for the primary. Very few of them were so designated. The Committee's vendor who processed these contributions treated them as "redesignations" even though they were not. That vendor's contract had been negotiated early in the campaign by the Committee's original counsel and included an incentive for the vendor to treat contributions as though additional documentation or affidavit was necessary. Under the contract, the vendor received an additional amount per contribution for which additional documentation or an affidavit was obtained. The Committee staff did not see these contributions until well after the election, but relied solely on the vendor's expertise to handle the contributions appropriately.

Since receipt of the Interim Report, staff have reviewed each contribution received after the date of ineligibility and the accompanying documentation. In its' review, the Committee has concluded that only those contributions received after July 16, 1992 which specifically have "primary" or "primary debt" written on the check, or have an accompanying signed contributor card designating their contribution to the primary should have been treated as primary contributions for which redesignations for the Compliance Fund were required. This is the opposite approach to that taken by the auditors, but the Committee believe its approach is in compliance with the requirements of 11 C.F.R. § 110.1(b)(4). That section presumes that contributions received after the date of ineligibility are for the next election unless designated in writing for the preceding election. Instead of following that rule, the auditors made up their own rule which was that all of these contributions were for the primary unless they were designated in writing for the Compliance Fund.

The total amount noted by the auditors as "redesignated" from the Primary to the Compliance Fund is \$2,444,557. After September 2, 1992, the auditors indicate that \$924,000 was properly redesignated to the Compliance Fund. The auditors do not include this in the funds that should be transferred to the Primary Committee because they contend that the Committee received its full entitlement with the September 2 matching fund receipts. Since the Committee disagrees with this contention and believes that it was entitled to the match received on October 2, 1992, and because the Committee believes that the Commission's

analysis will change based on this response. this response analyzes the entire \$2,444,557 in question.

To the extent that they were not totally superfluous, the "redesignations" sought and obtained by the Committee's vendor merely serve as confirmation that the contributors intended these contributions to be made to the Compliance Fund since there may have been some ambiguity in the way in which the checks were made out or in the unsigned cards that were attached to the checks.

No contributions received after August 6, 1992 were submitted for matching. Of the contributions received after the date of ineligibility and not submitted for matching, \$2,773,327<sup>4</sup> was neither clearly designated for the primary or primary debt nor accompanied by a signed written designation for the primary or primary debt. The Committee's analysis of these contributions is attached as Exhibit 3. These contributions were not, therefore, primary contributions because they did not meet the requirements of 11 C.F.R. § 110.1(b)(4). This number accounts for the \$2,444,557 transferred from the Primary Committee and the Suspense account to the Compliance Fund, and thus, these funds are not properly considered primary contributions redesignated to Compliance. None of these contributions were submitted for matching.

o No funds were transferred to Compliance when the contributor's intent was unclear. The "redesignations" obtained by the Committee's vendor, although redesignation was a misnomer, serve as documentation of the contributors' intent to make contributions to the Compliance Fund. In every instance, the additional clarifying documentation was received within 60 days.

o It became clear during August of 1992 that the campaign was receiving sufficient funds that it would be necessary to calculate a cut-off date after which no further matching funds would be sought. However, the Committee, at the time it had to make this calculation, did not have the advantage of hindsight, nor could it in any way anticipate the adjustments that the auditors would make to its accounts payable or post-election costs, many of which are vigorously disputed by the Primary Committee in its response to the Interim Report. Had the Committee been able to foresee that the auditors would consider the funds transferred to the Compliance Fund as primary contributions after the fact, it would have been necessary for the Committee to make up for these funds by raising more funds for the Compliance Fund than were raised. If the Commission were to require transfer of these funds to the Primary Committee now it would result in unfairness to the Committee because it may leave an insufficient amount in the Compliance Fund to pay continued general election winding down costs.

---

<sup>4</sup>This number has not been adjusted for contribution refunds, so the actual number is very close to the 2,444,557 actually transferred.

05770194370

o In making their calculations as to remaining entitlement, the auditors count private contributions as they are received, but count the matching funds that correspond to those contributions not when they are submitted for matching but when they are received. This leads to two problems. First, it is impossible then, to calculate the date after which no further matching funds are needed, because at the time a committee makes a matching fund submission, it cannot possibly predict how much in private contributions will be received between the date of the submission and the date of receipt of the matching funds. It would thus be far more sensible and fair to the candidate to include matching funds in the calculation as of the time of submission.

Second, this method results in unfairness to a candidate who processes contributions more slowly. For example, if contributions received during one month are not processed fast enough to be included the submission at the beginning of the following month, then there can be a two month delay in receiving the funds. This method is also likely to discriminate against candidates with a broader contributor base, i.e., a greater number of smaller contributors, because each contribution no matter whether it is \$1 or \$250, takes the same amount of time to process. It would be far more consistent with the statutory entitlement scheme and would result in more equitable treatment of candidates for the Commission to consider the matching funds at the time of submission in making the entitlement calculation.<sup>5</sup>

Thus, for the reasons set forth above, the Committee disagrees with the auditors' recommendation that these funds should be transferred from the Compliance Fund to the Primary Committee.

B. Clinton/Gore '92 Committee

1. Apparent Prohibited Contribution

The Interim Report questions whether the billing by Chambers Associates, Inc., for

---

<sup>5</sup>The Committee believes that the Commission's approach in this regard is inconsistent with the legal concept of "entitlement". A candidate who qualifies for matching funds is entitled to receive them in an amount equal to matchable contributions raised up to 50% of the expenditure limitation, 26 U.S.C. § 9034. The process would be far less costly and simpler to administer if the Commission, as envisioned by the statutory language, were to match qualifying contributions up to the 50% limitation and seek a ratio surplus repayment once all obligations have been satisfied, 26 U.S.C. § 9038(b)(3). In fact, if the Commission followed the statutory scheme it may be possible to resolve the audits within the six months contemplated in the surplus repayment provision. Id.

957/01946/1

services it provided to the Committee was done in the ordinary course of business and in compliance with 11 C.F.R. §116.3. As set forth in the attached affidavit from Letitia Chambers of Chambers Associates, Inc., the billing was clearly with the ordinary course of business therefore was fully consistent with the requirements of 11 C.F.R. § 116.3.

The auditors have listed Chambers Associates, Inc. as an apparent prohibited corporate contribution resulting from an extension of credit outside the ordinary course of business in the amount of \$117,316. The auditors' position is without merit. As the affidavit from Letitia Chambers, President of Chambers Associates confirms, Chambers Associates handled the Committee's billing in a manner entirely consistent with the billings of all of its other non-political clients and, accordingly, such billing does not represent an extension of credit outside the ordinary course of business. See Exhibit 4. Chambers Associates billed the Committee after the end of the project which is within its ordinary course of business. Chambers & Associates cites other non-political clients for which it has also billed at the conclusion of a project. In addition, the Committee's bill was quite complex because of the large number of incidental and travel expenses incurred. Chambers Associates expended extra effort to ensure that all charges were properly accounted for and billed in order to fully comply with applicable election laws. In addition, Ms. Chambers, who is responsible for reviewing all invoices issued by the firm, as well as her assistant, were on a leave of absence from the firm after the conclusion of the project for two and one-half months.

Moreover, after preparation and issuance of the invoice in January, 1993, the invoice was inadvertently sent to the wrong office. The Committee received another invoice in March, 1993 and paid such invoice promptly thereafter. Notwithstanding the confusion, the invoice was paid within 60 days from the date of issuance which is well within the timeframe for payment by Chambers Associates' non-political clients.

Most importantly, not only was payment received by Chambers Associates within its ordinary course of business, but the issuance of the invoice was also within its ordinary course of business. Had the Committee's billing been simple and straightforward, the earliest an invoice would have been issued for a project completed by November, 1992 would have been early to mid-December, 1992. This invoice, which was extremely complex and required extra care, was issued within a short period after when it would have been issued had it been a simple, straightforward billing. Chambers Associates' financial records and accounts receivables records confirm that such billing was treated in the ordinary course of business and that Chambers Associates clearly did not intend nor consider that this was a loan or contribution. Accordingly, the auditors' position that an invoice issued in January, 1993 for work completed in November, 1992 and paid within 60 days thereafter constitutes a prohibited contribution is baseless. Chambers Associates' treated all aspects of the Committee's billing consistent with its normal course of business and in accordance with 11 C.F.R. 116.3.

2. Itemization of Offsets to Operating Expenditures

9 5 7 0 1 9 4 6 1 2

The Interim report contends that the Committee was required by 2 U.S.C. § 434(b)(F) to itemize each reimbursement received by Worldwide Travel for press and secret service travel. The Committee contends 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 held 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. The Committee believes that the auditors now are taking the position that the Worldwide reimbursements must be itemized simply because most committees have collected these refunds themselves and have not used a third party vendor to collect press and secret service reimbursements.

Although the 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, and will be filing them shortly. This process was extremely time-consuming and costly, as the

95070194573

computer records to prepare the amendments had to be reconstructed. Since the Committee was operating under the assumption that it did not have to itemize this information, the information was not maintained in a computer format that made it readily available for itemization.

### 3 Reporting of Debts and Obligations

The Interim Report questions the General Committee's process for recording and reporting debts and obligations and requests that the Committee file amended Schedules D-P. As noted in the Interim Report, subsequent to the exit conference, the Committee provided the auditors with a schedule listing the dates on which the invoices questioned by the auditors were reported. The Committee sees no sense in amending its reports to disclose information that the Committee did not have in its possession at the time those reports were originally filed.

The Committee does not dispute that debts and obligations in excess of \$500 must be reported when the obligation is "incurred." 11 C.F.R. § 104.11. However, the Committee's accounting staff which was responsible for entering debts and compiling the information to produce the debt schedules had no information concerning those debts until such time as the information regarding the debts was submitted to the accounting department. The Committee is somewhat mystified as to how it was supposed to know about debts prior to the time they were entered into the accounting system. The only way the Committee could have done this during the course of the campaign would have been to amend the prior month's debt schedule each month when the current month's disclosure report was filed. Certainly it would be a complete waste of time and serve no purpose to amend the debts schedules now to move debts from one monthly period to another monthly period.

Finally, Barbara Yates, the Committee's CPA, discussed this issue with Joe Stoltz, Deputy Assistant Staff Director for the Audit Division, when he was in Little Rock during the Audit and Mr. Stoltz acknowledged to Ms. Yates that the Committee could not very well report debts of which it was unaware. Thus, no further action regarding this recommendation is warranted.

### III. Findings and Recommendations - Repayment Matters

#### A. Apparent Prohibited Contributions

The Interim Report identifies nine transactions totalling \$153,625 which, according to the auditors, appear to result in prohibited contributions to the General Committee. Based on the information provided in this response, none of these amounts were prohibited contributions, and only one of these issues is not yet fully resolved, i.e. the reconciliation of the deposits from Southwestern Bell.

05070194674

1. Donated Equipment

The General Committee contracted with Atlanta Sound & Lighting for sound equipment for a rally and a press conference in Atlanta, Georgia on October 12 and 13, 1992. Because the equipment was already in place, and as is their customary practice, Atlanta Sound & Lighting permitted the Committee to use the equipment at no charge for the rehearsal. The auditors have alleged that this resulted in a prohibited contribution. As made clear in the attached affidavit from the vendor, however, this was the company's customary practice and resulted in no contribution to the General Committee. Exhibit 5. As evidence of their customary practice, the vendor provided in its affidavit several examples of notable political and non-political clients for which Atlanta Sound provided similar service: The Bush '88 and 92' Committees, the Salvation Army, the Georgia Special Olympics and the Georgia Games.

2. Payment Not Made by the General Committee

At the Exit Conference the auditors questioned the Committee concerning a payment credited to the Committee's account with Opinion Research Calling in the amount of \$13,130 on October 14, 1992. Subsequent to the Exit Conference, the Committee explained to the auditors that Opinion Research Calling worked with Greenberg-Lake on general election polls, and advised the auditors that the vendors informed the Committee that Greenberg-Lake paid Opinion Research. The Committee has requested additional documentation regarding this and will forward it as soon as it is available.

3. Deposits Credited to General Committee Bills

The Interim Report has questioned the origin of three deposits credited to General Committee bills. Documentation of the \$7,800 deposit made to Wisconsin Bell was provided to the auditors after the Exit Conference, but the auditors apparently overlooked it. A copy of that documentation is attached as Exhibit 6. It includes a copy of a check in the amount of \$11,425 dated 8/6/92 to Worthen National Bank to obtain a cashiers check as required by Wisconsin Bell; a copy of the cashiers check; a copy of the Committee's Check Request Form and a handwritten memorandum to Matt Moore (Committee staff) on Wisconsin Bell stationery providing a "Breakdown of Certified Check Required". The first entry on the Wisconsin Bell breakdown is "Deposit \$200.00/per line x 39 lines -- \$7800.00". This documents the \$7,800 deposit paid to Wisconsin Bell.

Southwestern Bell - The General Committee refunded the Primary Committee \$19,100 on June 30, 1994. The Committee disagrees that the additional deposits of \$425 were primary expenses. According to Southwestern Bell, the \$425 were deposits made during the general election period. Exhibit 7.

4. Amended Contracts

95770194675

The auditors have questioned four media contracts that were amended during the general election. According to the terms of the contracts themselves, which were provided to the auditors during fieldwork, the contracts were amended because it became apparent that the services required of the vendors were different than originally anticipated. The Committee explained this to the auditors during fieldwork and at the Exit Conference. It is clear from the terms of the contracts that they were amended because the four vendors would be providing fewer services to the Committee than anticipated in the original contracts. Instead, each of the four vendors also began working for the DNC. The auditors were specifically advised that the services for the DNC were on generic media. As the auditors well know, generic media is that which does not mention any specific candidate and therefore which does not have to be allocated to any candidate. There is nothing in the Act or regulations that prevents a committee from amending its contracts, and it is clear that generic media need not be allocated to any candidate's campaign committee. We are, therefore, somewhat at a loss as to what the auditors think they need or are entitled to concerning the services provided by these four vendors.

The Committee believes that it is absurd for the auditors to allege an impermissible contribution on the basis of an amended contract that calls for reduced services to the Committee. However, even though the auditors have no basis for suggesting that these vendors, the DNC or anyone else, made contributions to the Committee amounting to \$111,100, we have obtained from the DNC copies of the four vendors' contracts with the DNC and a letter from DNC General Counsel, Joseph Sandler, regarding the services provided to the DNC. Exhibit 8. It is clear from the amended contracts themselves, and from the additional documentation provided, that no contribution resulted to the Committee from the amendment of these contracts.

B. Apparent Non-Qualified Campaign Expenses

The Interim Report listed a total of \$8,669.28 in apparent duplicate payments and \$87,077.40 in apparent non-campaign related activity. The Committee has received refunds or credits or other resolution of all but \$6,479.20 which remains outstanding at this time.

1. Apparent Duplicate Payments

Of the \$8,669.28 noted by the auditors as apparent duplicate payments, \$694.11 has been refunded to the Committee. The Future Now, Inc. refunded \$340.24 to the Committee on November 5, 1993. Copies of the documentation for the refunds are attached as Exhibit 9. Southwestern Bell Telecom has acknowledged a credit balance of \$1,496. The Committee is still attempting to resolve the remaining \$6,479.20.

The Committee has made numerous attempts to collect the amount of \$640.64 from Radisson Legacy. The Committee has been notified that the hotel has changed ownership and that the current owner has not assumed the liabilities of the previous owner. Accordingly,

050/01946/6

pursuant to 11 C.F.R. § 9004.9(e), this amount is uncollectible. Exhibit 10.

2. Non-Campaign Related Activity

Of the \$87,077.40 in apparent non-campaign related expenses identified by the auditors, \$70,295.61 represent payments for equipment lost or stolen from the Committee. The Committee objects to treatment of these payments as non-qualified campaign expenses.

Throughout the general election, the Committee and its members exercised great care in the maintenance and security of leased equipment. See the written equipment security policy promulgated during the general Campaign. Exhibit 11. Each incident cited by the Audit Division was investigated at the time of loss for both potential recovery of equipment and to discover any potential misconduct or gross negligence on the part of a Committee member. It is the Committee's position that there was no evidence of misconduct or gross negligence on the part of any Committee member, and thus it was unnecessary to execute the Committee's policy of withholding salaries upon the discovery of evidence of misconduct or gross negligence. As the letter from the Committee's insurance agent, Bill Lambright, Exhibit 11, indicates, it was not commercially feasible for the Committee to have purchased insurance to cover such losses. First, in order to negotiate a deductible low enough to have permitted loss recovery, the applicable permium would have been cost prohibitive (the Committee's deductible was \$5,000.00) Secondly, given the staff fluctuations associated with typical campaign environments and the tremendous geographical regions that would require coverage, the cost for insurance, to the extent available at all, would have far exceeded its value to the Committee.

In light of the prohibited cost of commercial insurance the only commercially reasonable and fiscally responsible alternative for the Committee was self insurnace. 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. (Committee payments for non-auto rental equipment represented only 1.4% of the total monies spent on leases while auto rental losses were only 1.4% of the total as well). Ultimately, not only was the decision to self insure the only available option, but also the wisest. As most of these losses ocured during advance team travel, and were not revealed until team members had departed the event site, police reports were not practicable. In the case of the rental vechicles as explained in Exhibit 11, the Committee attempted but was not permitted to file such a report. As the statement from Committee member Richard Williams attests, Exhibit 11, the Committee went to great lengths both to recover the vehicles and to recover their costs from the appropriate insurance agencies. However, as explained in the exhibits, the Committee was unable to either recover the vehicles or submit this loss for insurance reimbursement.

Five of the disbursements noted. Horton Brothers, Tom Tuchman, Monica Breedlove,

95970194577

Best Western and M.J. Lozano, amounting to \$3,331.01, were reimbursed by the Clinton/Gore Presidential Transition Planning Foundation on May 14, 1993 and November 23, 1993. Copies of the reimbursement checks and documentation are attached as Exhibit 12.

The final disbursement in question, to Wright, Lindsey & Jennings, was a bill to the General Committee in the total amount of \$8,729.79. Upon inquiry to Wright, Lindsey & Jennings, they reviewed the bill and discovered that there were two charges totalling \$145.38 erroneously included on the invoice. These charges were for another client of the Firm. The remainder of charges on the invoice totalling \$8,584.41 were for services provided the Committee. The vendor has credited the Committee in the amount of \$145.38 on the bill covering their services to the Committee for April 1994. A copy of their letter explaining the error and the invoice showing the credit are attached as Exhibit 13.

The disbursement to Kyle Michel on January 14, 1993 was payment for moving Vice President-Elect Gore's files from the General Committee office in Little Rock, Arkansas to Washington, D.C.. This was a legitimate winding down expenditure by the General Committee.

Finally, as to New Jersey Bell, attached you will find a letter from New Jersey Bell clarifying that the payment in question was for services from 10/29 to 11/2/92. The original documentation had been misleading because the charges were posted in February and March of 1993. Exhibit 14.

Therefore, the Committee has provided documentation resolving each of these issues and no repayment is owing related to these disbursements.

### C. Expenditure Limitation

The Committee concurs with the auditors' conclusion that the Committee did not exceed the general election expenditure limit of \$55,240,000. The Committee disagrees with the auditors' numbers however, and believes that they should be adjusted per the information provided in this response.

The Committee addresses the auditors' specific adjustments as follows:

1. Amount Due to the General Committee from the Primary Committee

The Interim Report includes a receivable owed the General Committee from the Primary Committee of \$39,104. The Committee agrees with this, but believes that the Primary Committee owes the General a total of \$43,726.20. Exhibit 15.

2. Amount due the Primary Committee from the

9507012438

General Committee for Payment of General Election  
Related Expenses

The Committee disagrees with the auditors' contention regarding the bulk of these payments allegedly owed to the Primary Committee as set forth below.

a. Equipment and Facilities

Future Now, Inc., ICL, Inc., and W.P. Malone - The Interim Report contends that computer equipment purchased by the Primary Committee for a total of \$540,313 should have been purchased by the General Committee, with the Primary paying no share of the costs. This contention is contrary to the Act, regulations and prior Commission precedents regarding the purchase of equipment. Because of the dramatic increase in demand on the Primary Committee's computer systems in the Spring of 1992, the Committee made the purchases noted in the Interim Report from Future Now, Inc., ICL, Inc. and W.P. Malone. This equipment was purchased for and used by the Primary Committee. As requested in the Interim Report, details of the acquisition and usage of each computer purchase is included in Exhibit 16. The Primary Committee followed the Commission's regulations and instructions in the Primary Manual and transferred this equipment to the General, after depreciating it by 40%.<sup>6</sup>

As noted above, the regulations specify the method by which a primary committee must transfer capital assets to the general election. 11 C.F.R. § 9034.5(c)(1). This regulation distinguishes between assets acquired prior to the date of ineligibility (which may be depreciated by 40% -- or more if documented by the committee) and those acquired after the date of ineligibility (for which the general must pay fair market value at the time of acquisition). Id. In the Interim Report, the auditors seek to ignore this regulation by asserting that this equipment was really only purchased because it would also be needed in the general election. They apparently do not argue that it was not used in the primary. The Commission must reject this argument for the following reasons:

- o The Commission adopted this formula in order to simplify the transfer of assets

---

<sup>6</sup> When transferring the equipment, the Committee calculated the value of the assets by taking the full cost of the equipment purchased, and did not include the amount of the sales tax paid on the equipment. The auditors further contend that the value of the equipment transferred should have included the amount paid in sales tax. This contention is similarly incorrect for the following reasons: the amount paid in sales tax does not increase the fair market value of equipment purchased; including sales tax in such a calculation is contrary to standard accounting practice; Arkansas recognizes no sales tax on resales of equipment, and therefore, no sales tax was owed by the General to the Primary. See the Primary Response regarding Arkansas law on this point.

between primary and general committees. The 60-40 split was adopted with the full knowledge that in fact some capital purchases acquired early in the campaign will have depreciated to a greater extent than 40%, while others purchased later may have depreciated less. Rather than requiring each committee to document the depreciation of each asset, the Commission adopted the approach in § 9034.5 and intended to allow each committee to apply the 40% depreciation without additional documentation. The auditors seek to undermine this bright line approach, by imposing an ad hoc, post hoc, and subjective reevaluation of the timing of the use and purchase of each asset.

o As set forth in Exhibit 16, all of this equipment was used during the Primary campaign. The enhanced computer capability was critical to respond to the Committee's increased correspondence needs, for the increased needs of delegate tracking, to support the scheduling operations, for general political support and for communications. The summary of the usage of each computer system, and the memoranda from Monica Breedlove and Sherry Curry, explain in detail how this computer support was critical to the primary efforts and how the Committee's systems were inadequate by February and March. In addition, we have included copies of some sample repair call invoices from March and May showing that the Committee's system was crashing. Exhibit 16. Rather than the purchases being timed to justify payment by the Primary as the auditors contend, the acquisition of the needed equipment was long overdue.

o The auditors' position on this equipment is also internally inconsistent. While they question the need for the increased equipment in the primary, they do not challenge the Committee's increased expenditures for staff and overhead which necessitated the increased computer capability. Thus, they apparently do not dispute that the Primary Committee had dramatically increased staffing requirements during this period, but rather would disallow only the Committee's purchase of equipment to support that staff.

o The information contained in the Committee Exhibit 16 also demonstrates that the Committee considered alternatives to purchase of new equipment during May and June, 1992. The Committee's computer consultant looked into the possibility of upgrading the Committee's existing system to accommodate the increased usage, but determined that upgrades would cost approximately \$400,000 and would still be unreliable. Thus, it was more cost effective for the Primary Committee to purchase the new equipment for a total of \$540,000 with the expectation that it would be transferred to the General with depreciation of 40%.

In summary, these equipment purchases were made by the Primary Committee during the matching payment period, were for equipment used during the primary campaign, and were transferred to the General Committee in compliance with and reliance on the Commission's regulations at 11 C.F.R. § 9034.5 and the Primary Manual. Thus, no further

9507019490

amount is owed the Primary from the General Committee.<sup>7</sup>

L-K Electric - This expenditure of \$79,808 was necessary to upgrade the wiring at the Committee's headquarters. It was incurred and used during the primary campaign, and thus was a qualified campaign expense by the Primary Committee. This wiring would have been necessary to accommodate either an upgrade to the Committee's existing system or the purchase of the new equipment, and was necessary to support the increased usage during the primary campaign for uncontroverted primary purposes. Thus, the Primary Committee properly paid these costs.

Little Rock Newspapers - The Primary Committee agrees that this amount, \$12,500, was erroneously paid by the Primary and should have been paid by the General Committee.

b. Polling and Direct Mail

Greenberg-Lake and Opinion Research - The auditors contend that polling costs of \$93,904 paid to Opinion Research and \$108,622 paid to Greenberg-Lake for polls conducted between mid-June and the convention should have been allocated to the general election. This position is inconsistent with the facts concerning the purpose and usage of the polls, as well as the Act, regulations, and prior Commission treatment of expenses paid by prior primary committees during this period of time.

As the Committee advised the auditors at the Exit Conference and as set forth in the memorandum from the Executive Director of Greenberg Research, Inc. dated November 8, 1993, these polls were related to delegate tracking and support functions and vice-presidential selection. Since the auditors apparently mistakenly believe that they can discern the purpose of polls by reading the questions, the Committee has obtained and attached additional documentation and information concerning the purpose and use of these polls.<sup>8</sup> Exhibit 17. Although then-Governor Clinton had a clear majority of delegates and looked certain to obtain the nomination, he did not have sufficient committed delegates going into the Convention to secure the nomination. See letter from Joseph Sandler, DNC General Counsel. Exhibit 18. Thus, this pre-convention period was critical for demonstrating his electability.

<sup>7</sup> Once again, the auditors' sole motivation seems to be to try to find ways to decrease the primary's qualified campaign expenses to increase the amount the auditors allege that the Primary Committee received in excess of entitlement.

<sup>8</sup> Polling is a professional field requiring expert knowledge. If the average individual could perceive in each instance the purpose of poll questions, the results would be far less reliable - or there would be no need to retain the services of professional pollsters to conduct the polls. Thus, inasmuch as the auditors are not professional pollsters, their opinion as to the purpose of the polls in question is not persuasive.

957/0194631

As the attached affidavit from Greenberg Research confirms, the polls which the auditors cite as general election polls were conducted in order to develop and hone the Candidate's message prior to and during the Convention and to successfully present the Candidate at the Convention in order to ensure the necessary delegate support to obtain the party nomination. In addition, these polls were conducted to enable the Committee to maximize media coverage at the Convention in order to effectively present the candidate at the Convention. For example, with respect to the Convention polls, 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 polls leading to the Convention were 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.

Further, an essential part of the presidential nomination process is the selection of a vice-presidential running mate. Accordingly, some of the polls conducted prior to the Convention tested the choice of a vice presidential nominee by measuring name recognition and public perception of individual candidates. As Greenberg Research's affidavit provides, survey research done for the Committee in June and July measured the effectiveness of the Candidate's message at that particular moment of time. "A poll is a snapshot of what people are thinking at that particular moment in time. - Polls quite often are outdated within a few days, especially those dealing with political campaigns and issues because daily events can dramatically affect the effectiveness of a candidate's message." Accordingly, it is clear that payments made for these polls which were arbitrarily selected by the auditors were made in connection with the candidate's nomination and that such obligations were incurred prior to the date of ineligibility.

Not only is the auditors' position contrary to factual authority, it is also blatantly contrary to legal authority. A "qualified campaign expense" is defined as a "purchase, payment, distributions, loan, advance, deposit, or gift of money or of anything of value - (A) incurred by a candidate, or by his authorized committee, in connection with his campaign for nomination for election, and (B) neither the incurring nor payment of which constitutes a violation of any law of the United States or of the State in which the expense is incurred or paid." These obligations clearly were incurred prior to the end of the primary and as confirmed by Greenberg Research were for polling in connection with the primary.

In addition, the auditors' treatment of the Committee's payment of primary polling expenses is inconsistent with prior Commission actions. The Commission, in the Reagan-Bush '84 audit determined that polling expenses for polls conducted before the end of the primary but after all of the state primaries or caucuses had been held, as well as political consulting work performed with respect to a specific state after the respective primary or caucus and payments to vendors for voter registration services used in a state after the date of the caucus

0597019452

or primary were made in connection with the candidate's campaign for nomination for election and were, therefore, qualified campaign expenses. These expenses totalled \$2,072,283.83.

Conversely, when committees have argued that certain expenditures incurred prior to the date of the nominating convention were for general election purposes, the Commission has rejected such a position. For example, the Commission determined in the Bush/Quayle '88 audit that \$30,101.26 in payments for campaign trips which were taken prior to the convention were not permissible general election pre-period expenses. Similarly, in the Dukakis for President Committee audit the Commission rejected the Dukakis' Committee's position that it halted its primary election fundraising efforts in June 1988 because it was likely to raise more than it could legally spend and it was evident that after the California primary (June 7, 1988), Governor Dukakis was assured of the Democratic Party presidential nomination. Finally, in the Jack Kemp for President audit, the Audit Division rejected the Kemp Committee's position that it was entitled to exclude office rent, utilities, equipment lease payments and related services for periods following the date of a state's primary election. The Audit Staff in rejecting the Kemp Committee's position that expenses are incurred after the date of the state primary and that these costs are part of the costs of establishing and maintaining the state office. Furthermore, the Commission stated that "activity at State offices does not cease the day after the primary election. Some activity will be necessary to finish the office's business in the days following the primary. These expenses are also part of the cost of maintaining the office the purpose of which is to influence the primary election in that State."

It is apparent from Commission determinations and the underlying rationale in the above-noted matters, that the auditors' current position regarding the Committee's polling expenses directly contradicts Commission policy. Moreover, it is evident from the above-noted cases, that the auditors in an effort to increase the Committee's repayment will adopt the opposite position from the Committee's, no matter what the circumstances, rather than adopt the position consistent with the explicit legal authority and the Commission's long-standing policy that expenses incurred prior to the Convention are primary expenses. It is clear based on the affidavit from Greenberg Research that the focus and purpose of the polls in question was for the primary.

The auditors also seem to suggest that the Committee was required to pay for polls conducted during June from general election funds since the regulations identify polling as a permissible pre-general election expenditure. 11 C.F.R. § 9003.4(a)(1). This regulation, while permitting general election polling prior to the beginning of the expenditure report period, does not in any way require committees to pay for polls conducted prior to the date of ineligibility from general election funds.

In fact, it is unlikely that polls conducted prior to the date of ineligibility would be in connection with the general election. As acknowledged in the Commission's regulations, polls devalue very quickly, and are worth only 50% 16 days after they are conducted. 11 C.F.R. § 106.4. The auditors apparently disagree with the Commission's regulations since they find

959/019463

the fact that polls diminish rapidly in value "not persuasive." Notwithstanding the auditors' opinion, 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.

Moreover, the auditors have included in the amount of expenses which they assert are general election expenses, travel expenses that do not even correspond to the polls which the auditors have listed as general election polls. See Exhibit 19. Accordingly, even if one accepts the auditors' position that the polls they identified are general election polls, these expenses in the amount of \$5,985.45 relating to focus group travel, do not constitute general election expenses.

The invoices for travel costs associated with focus groups are 3293 (incorrectly labeled 3184), 3688, 3695, 3781, 3782, and 3882. Please note, in addition, that invoices 3540, 3687, 3688 were not for travel associated with any poll identified by the auditors as the auditors assert in their workpapers. Rather, these invoices represented travel costs associated with various focus groups.

c. General Election Media Expenses

The Man from Hope - A biographical film of President Clinton, entitled "the Man from Hope" was aired at the 1992 Democratic Convention prior to President Clinton's acceptance speech on July 16, 1992. According to the auditors, the cost of producing the film was \$191,273. The Primary Committee paid \$161,273 of this amount and the 1992 Democratic Convention Committee ("Convention Committee") paid \$30,000. The purpose of the film was to introduce Clinton to the Convention prior to his acceptance of the nomination.

In the Interim Audit Report issued to the Convention Committee for the 1992 Convention, the auditors took the position that the \$30,000 paid by the Convention Committee was an excessive contribution to the Primary Committee. Subsequently, on October 6, 1993, at the Exit Conference for the General Committee audit, the auditors contended that the payment by the Convention Committee was an excessive contribution not to the Primary Committee but to the General Committee. At the General Committee Exit Conference, Committee attorneys questioned Joe Stoltz, Deputy Assistant Staff Director of the Audit Division, regarding the apparent change of position, and were advised that the Audit Division's position on this issue was "evolving". In issuing the Final Audit Report on the Convention Committee, the Commission rejected the auditors' position that the payment of the \$30,000 by the Convention Committee was impermissible. The issue of whether the costs of the film were properly paid by the Primary Committee was not addressed.

For the reasons set forth below, the Committee contends that the payment for costs of the film was properly a primary expense in that it was incurred during the matching payment period and was made in connection with the candidate's campaign for nomination.

11 C.F.R. § 9032.9(a).

o The payment for the costs of the producing The Man from Hope meets the definition of "qualified campaign expense." Notwithstanding the auditors' assertion that the purpose of the biographical film of President Clinton was for the general election, the payments for the costs of producing the film squarely meet the definition of qualified campaign expense. The obligations were incurred prior to the date of ineligibility and they were made "in connection with his campaign for nomination," since the purpose of the film was to introduce him to the Convention prior to the time he accepted its nomination. Thus, the costs of the film were properly considered a primary expense, since they were in connection with his nomination by the Convention<sup>9</sup>.

o The showing of the film was for the purpose of introducing the candidate to the Convention, thus it was a proper primary expense. Generally, all convention-related expenses paid by candidates' committees have been considered legitimate primary expenses. The Commission has not routinely singled out some convention expenses and considered them for the purpose of securing the nomination while others are considered for the purpose of the general election. Indeed, the Commission has always considered travel expenses back from the convention to be primary expenses even though those expenses-- unlike the costs of producing the Man from Hope-- are usually incurred after the date of ineligibility.

o The auditors have never in the past singled out a convention film for special consideration or treatment. The only reason they have done so here because this film bears a separate and readily identifiable name. The Committee believes the auditors, if asked, would be unable to tell the Commission how such films have been paid for in the past, even though there has been a comparable film at every major party convention in the recent past. Thus, it is grossly unfair to single out this film to establish a new rule, particularly one that makes no sense.<sup>10</sup> If the Commission wishes to make rules restricting the payment for convention films to a particular source, it should do so in a rulemaking proceeding and not for the first time in the context of a committee audit. The auditors' "evolving" position on this issue further emphasizes the inappropriateness of making a new rule in the course of an audit. The auditors' change of position on this issue is a clear demonstration that their entire purpose in arguing that it should be a general election expense is because they discovered that making it a general election expense results in disadvantage to the Committee.

---

<sup>9</sup> When portions of the film were adapted for use in the general election, those additional costs were paid by the General Committee and the DNC.

<sup>10</sup> It is difficult to perceive any harm in permitting a candidate to choose whether a convention film will be produced by a primary committee, a convention committee, or a general election committee. Indeed, it is likely that since the first publicly funded campaign in 1976, some combination of all of these sources have been used to produce convention films.

950/0194635

o The auditors are incorrect that the candidate's date of ineligibility was July 15, 1992. Although the Committee believes that it is immaterial to the Commission's determination on whether this film was a proper primary expense, the date of ineligibility is key to the auditors' current argument as to why the film should be considered a general election expense. The auditors contend that the showing of the film on the last day of the convention renders it a general election expense, since they have concluded that July 15, 1992 was the candidate's date of ineligibility. While it does not matter whether the candidate's date of ineligibility was July 15 or 16, since the payments for the costs of the film meet the definition of qualified campaign expense, the Committee disagrees with the auditors contention that the date of ineligibility was July 15.

o The auditors' assertion that the date of ineligibility is July 15 is inconsistent with DNC rules. 11 C.F.R. §9033.5(c) provides that a candidate's date of ineligibility is the last day of the matching payment period. The last day of the matching payment period for a candidate seeking the nomination of a party which nominates its candidate at a national nominating convention is the date on which the party nominates its candidate. 11 C.F.R. § 9032.6(a). As set forth in the attached opinion letter from Joseph E. Sandler, General Counsel of the Democratic National Committee, under the Call to the Convention, the party rules on nomination of the presidential candidate, the date on which the party nominates its candidate is the date on which the nomination is accepted. Exhibit 20. The Commission must defer to the party on this question, since the regulations define this date of ineligibility as "the date on which the party nominates its candidate." The regulations do not specify a particular day of a convention, such as the "second to last day of the convention," as the auditors would like the regulations to read.

o Indeed, for a litany of reasons, it makes no sense for the date of ineligibility to be the date of the vote, and not the date of the acceptance. Because the votes at conventions frequently take place late into the evening, this interpretation would require the Commission to determine the precise time at which the vote is concluded. Since the votes often occur after midnight, under the auditors' interpretation, the date would not be the date on which the roll call was scheduled, but the date on which it was concluded. In fact, in 1992, both the Republican and Democratic conventions held their roll call votes for the presidential nominee on the second to last day of their respective conventions. The Democratic Convention roll call concluded at 11:54 p.m., while the Republican Convention roll call concluded at 12:11 a.m. the following day. Exhibit 21. The auditors interpretation of the date of nomination requires the Commission to consider the timing of the vote and, as illustrated by the 17 minute interval above, could result in disparate treatment of the two major party nominees. This makes no sense. The Commission has not previously had to address the potential absurdity of this exercise, because the auditors have never previously singled out a convention-related expense and argued that it should have been paid for by the general election. The Commission should avoid this absurdity by simply rejecting the auditors' assertion that the film was a general election expense.

950/0194616

o The statute itself contemplates that the last day of the convention is the date of ineligibility. In §9032.6(b)(2), for example, for candidates not nominated at a convention, the last day of the matching payment period is the last day of the convention of the last major party convention, not the second to last day of the convention of the last major party convention, as the auditors would like to read the date of ineligibility for major party candidates. Finally, the Commission has never certified a major party nominee as eligible to receive the general election funds until after that candidate has accepted the nomination of his party. See 11 C.F.R. § 9002.2(a)(1) and § 9003.1(a)(2).

Thus, for the reasons set forth above, the Commission should reject the auditors' contention that the costs attributable to production of the biographical film of President Clinton shown at the 1992 Democratic National Convention were required to have been paid for by the General Committee.

In addition to the costs related to production of the Man from Hope, the auditors have questioned four additional media expenditures totalling \$34,155.

35 mm Photo Shoot - The Audit Division has chosen to challenge a charge for a "35 mm photo shoot" at the Democratic National Convention as a general election expense. The Audit Division maintains "Film taken on these days could have little opportunity to be used in the primary campaign". Promises of campaign memorabilia by a primary committee can have a powerful fundraising effect. The Audit Division must be aware of this potential, as they have pointed out the use of this item in question for such a purpose in the Interim Report of the Audit Division on the Clinton/Gore '92 Committee and Clinton/Gore '92 General Election Compliance Fund. In the Compliance/General Committees Report, the auditor's note that "One of these mailings contained a photo of the Presidential and Vice Presidential candidates on the podium at the convention which had been promised in an earlier mailing fundraising appeal by the Primary Committee." See also Exhibit 2, paragraph 3.

We do not believe that there is any question that the production of primary fulfillment, by a primary committee, is an acceptable primary committee expense. However, even in the absence of such clear evidence supporting our assertion, we maintain that the Commission should not endorse the Audit Division's approach to convention expense allocation. To classify an expense during the convention as a general committee expense merely because it occurs a moment beyond the candidate's date of ineligibility leads to absurd results. Regardless of the exact moment that the photograph of the nominee/candidate is taken, this should be an unquestioned primary committee expense. A party's nominating convention has dedicated all of its time and efforts to deliver its candidate to this particular event. Not only does a photograph of the nominees have significant fundraising drawing power, but more simply, it is a means of memorializing the event for both the committee and the party.

As to the \$18,889 in expenses from Great American Media, as the affidavit of Annemarie Hannon, Exhibit 22, demonstrates, the charges questioned as potential general

957/0194337

election expenses are, except as discussed below, valid primary committee expenses, incurred in connection with primary committee work prior to the Convention or in furtherance Committee work after the convention. As the affidavit points out, Great American Media has identified one charge for \$760.00, out of the \$18,889 of charges reported on the invoice, that may have been mischarged to the primary. Great American Media and the Committee are currently investigating this charge.

d. Miscellaneous General Election Expenses

Putting People First - The Primary Committee records indicate that 106,000 copies of Putting People First pamphlets were transferred to the General Committee. At the time of transfer, the Committee treated the pamphlets as capital assets and transferred them at a cost of \$.15 per copy (60% of \$.25). The auditors correctly note that the actual cost of these pamphlets originally was \$.72 each.

Putting People First was an outline of the Clinton economic plan prepared for and used during the primary campaign.<sup>11</sup> The 150,000 copies invoiced on July 6 and 10, 1992 were ordered for distribution at the Convention. As the auditors were advised at the Exit Conference, at the conclusion of the primary campaign, the Committee erroneously believed that 106,000 copies of the pamphlet remained and would be used in the general election. Therefore, the Committee treated them as a capital asset and transferred them to the General Committee. The auditors dispute the Committee's calculation of the value and take the position that full cost of the pamphlets transferred should have been paid by the General Committee. The Committee disagrees with this conclusion for the following reasons.

o The pamphlets were not used in the general election, and, therefore, there was no need for the General Committee to pay any portion of the cost of producing them. Based 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. While there may have been some copies left over from the Primary, there is no indication that they were distributed during the general election.

o Even if some of the pamphlets were used in the general election, they are not

---

<sup>11</sup> Putting People First is referred to in the audit report as a "book." It should be noted that it was published in 3 different forms, all of which resemble a booklet or brochure more than a "book." The copy of Putting People First that was invoiced on July 6 and 10 is attached for your information. Exhibit 23. As the Commission can see, the format was seventeen 8 1/2 x 11" pages folded over in the middle. It was hardly a "book" and, moreover, it was clearly intended for use in the primary, as it is marked Clinton for Primary and includes the Primary Committee disclaimer. There is no reference to Vice Presidential running mate, Senator Al Gore.

959/0194338

the type of asset that the General Committee was required to purchase from the Primary Committee, or that the Committee was required to include as an asset on the NOCO. The regulations divide assets into two types: "capital" and "other assets." 11 C.F.R. § 9034.5(c)(1). "Capital assets" are those such as office equipment, furniture, vehicles and fixtures acquired for use in the operation of the campaign. Id. "Other assets" are property acquired for use in fundraising or for collateral as campaign loans. Items which are neither "capital" nor "other" assets, such as leftover campaign materials (buttons, bumperstickers, brochures, signs) need not be included on the NOCO, and there is no requirement in the regulations that they be valued and transferred as an asset between the primary and the general election.

o The auditors concede that the pamphlets were not capital or other assets, but contend that they were general election expenses paid by the primary. That is not the case. Putting People First was developed for use in the primary campaign. The last orders (invoiced July 6 and 10) were placed specifically for the Convention. Since the expense of printing these copies was incurred prior to the general election expenditure report period, the pamphlets would be qualified campaign expenses for the general election only if they were for use during the general election period. They were not. They were clearly marked "Clinton for President" and, as noted above, there is no known use of these copies during the general election. The Committee erroneously counted them as an asset transferred to the General and the General Committee should not have paid anything for them. A revised version of Putting People First was printed for the general election. A copy of that is attached as Exhibit 24. The Primary should, therefore, refund the \$15,900 paid by the General Committee.

Press Association, Inc. - The Committee agrees that the Primary overpaid for its portion of the \$14,753, but disagrees with the auditors' contention that the entire amount was a general election expense. The correct amount owed by the General Committee is \$7,687.45. This amount was refunded on June 10, 1994.

Air Advantage - The Committee agrees that \$2,000 and the \$27,222.07 were erroneously paid by the Primary Committee. \$29,222.07 was reimbursed by the General Committee on January 11, 1994 and March 24, 1994. As to the \$15,000 in reconfiguration costs on July 10, 1992, the airplane was used in the primary and thus was properly allocated to the Primary.

The Air Advantage bill is another instance of the auditors contending that expenses for items for things that were used in the primary should have been paid 100% by the general. There is no support or rationale for this. It simply reflects the auditors' attempt to increase the amount of the Committee's repayment.

Mandarich & Associates - As noted in the audit report the Committee recognizes that this amount should have been paid by the Compliance Fund. It was refunded on June 10, 1994.

95270194839

Other expenses - The auditors have also noted additional expenses amounting to \$20,066 that should have been paid by the General Committee. On January 11, 1994 and March 24, 1994, \$14,420 was refunded by the General Committee. The remaining \$5,646 is being transferred this week.

3. Executive Jet Management

The General Committee agrees that the \$4,778 refund from Executive Jet should have been applied to the Primary. That amount is being transferred to the Primary this week. We further agree that it should not have been an offset to General Committee expenditures.

4. Alamo Rent A Car National Contract

The \$43,419.91 was transferred to the Primary Committee on January 11, 1994 and March 24, 1994. The Committee agrees that this amount should be treated as an expenditure by the General Committee subject to the spending limitation.

5. Sprint and C&P Telephone

The General Committee transferred to the Primary \$19,198.36 (relative to Sprint) January 11, 1994 and March 24, 1994. On the same dates, the General transferred to the Primary \$9,405.87 (relative to C&P Telephone) which included the \$3,606 noted in the Report. The Committee agrees that these amounts were General Committee expenditures subject to the spending limitation.

6. Adjustments for Duplicate Payments

The Committee's expenditures should be adjusted per the Committee's response to Finding III.B.1.

7. Adjustment for Apparent Non-Qualified Campaign Expenses

The Committee's expenditure total should be adjusted in the amount of \$3,476.39 refunded to the Committee. There should be no adjustment in the amount of the lost and stolen equipment (\$70,295.61), or for the \$13,305.40 which were questioned by the auditors but were legitimate General Election expenses.

8. Adjustment for Accounts Payable Reported As Outstanding at June 30, 1993

The Committee notes that the \$549,770 accounts payable figure includes \$77,942 of the

misnomer, serve as documentation of the contributors' intent to make contributions to the Compliance Fund. In every instance, the additional clarifying documentation was received within 60 days.

o It became clear during August of 1992, that the campaign was receiving sufficient funds that it would be necessary to calculate a cut-off date after which no further matching funds would be sought. However, the Committee, at the time it had to make this calculation, did not have the advantage of hindsight, nor could it in any way anticipate the adjustments that the auditors would make to its accounts payable or post-election costs, many of which are vigorously disputed herein. Had the Committee been able to foresee that the auditors would consider the funds transferred to the Compliance Fund as primary contributions after the fact, it would have been necessary for the Committee to make up for these funds by raising more funds for the Compliance Fund than were raised. If the Commission were to require transfer of these funds to the Primary Committee now it would result in an unfairness to the Committee because it may leave an insufficient amount in the Compliance Fund to pay continued general election winding down costs.

o In making their calculations as to remaining entitlement, the auditors count private contributions as they are received, but count the matching funds that correspond to those contributions not when they are submitted for matching but when they are received. This leads to two problems. First, it is impossible then, to calculate the date after which no further matching funds are needed, because at the time a committee makes a matching fund submission, it cannot possibly predict how much in private contributions will be received between the date of the submission and the date of receipt of the matching funds. It would thus be far more sensible and fair to the candidate to include matching funds in the calculation as of the time of submission.

Second, this method results in unfairness to a candidate who processes contributions more slowly. For example, if contributions received during one month are not processed fast enough to be included the submission at the beginning of the following month, then there can be a two month delay in receiving the funds. This method is also likely to discriminate against candidates with a broader contributor base, i.e., a greater number of smaller contributors, because each contribution no matter whether it is \$1 or \$250 takes the same amount of time to process. It would be far more consistent with the statutory entitlement scheme and would result in more equitable treatment of candidates for the Commission to consider the matching funds at the time of submission in making the entitlement calculation.<sup>17</sup>

<sup>17</sup>The Committee believes that the Commission's approach in this regard is inconsistent with the legal concept of "entitlement." A candidate who qualifies for matching funds is entitled to receive them in an amount equal to matchable contributions raised up to 50% of the expenditure limitation. 26 U.S.C. §9034. The process would be far less costly and simpler to administer if the Commission, as envisioned by the statutory language, were to match qualifying contributions



FEDERAL ELECTION COMMISSION

AK005799

December 27, 1994

Mr. J.L. "Skip" Rutherford, Treasurer  
Clinton/Gore '92 Committee  
Clinton/Gore '92 General Election  
Compliance Fund  
c/o Ms. Lyn Utrecht  
Oldaker, Ryan & Leonard  
818 Connecticut Ave., N.W., Suite 1100  
Washington, D.C. 20006

Dear Mr. Rutherford:

Attached please find the Final Audit Report on the Clinton/Gore '92 Committee and Clinton/Gore '92 General Election Compliance Fund. The Commission approved this report on December 27, 1994. As noted on page 4 of this report, the Commission may pursue any of the matters discussed in an enforcement action.

In accordance with 11 CFR §9007.2(c)(1) and (d)(1), the Commission has made an initial determination that the Candidate is required to repay to the Secretary of the Treasury \$254,546 within 90 days after service of this report (March 30, 1995).

Should the Candidate dispute the Commission's determination that a repayment is required, Commission regulations at 11 CFR §9007.2(c)(2) provide the Candidate with an opportunity to submit in writing, within 30 calendar days after service of the Commission's notice (January 30, 1995), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. Further, 11 CFR §9007.2(c)(3) permits a Candidate who has submitted written materials to request an opportunity to make an oral presentation in open session based on the legal and factual materials submitted.

The Commission will consider any written legal and factual materials submitted by the Candidate within the 30 Day period in making a final repayment determination. Such materials may be submitted by counsel if the Candidate so elects. If the Candidate decides to file a response to the initial repayment determination, please contact Kim L. Bright-Coleman of the Office of General Counsel at (202) 219-3690 or toll free at (800) 424-9530. If the Candidate does not dispute this initial

95970194692

MR. J.L. "SKIP" RUTHERFORD, TREASURER  
Page 2

determination within the 30 day period provided, it will be considered final.

The Commission approved Final Audit Report will be placed on the public record on December 29, 1994. Should you have any questions regarding the public release of this report, please contact Ron Harris of the Commission's Press Office at (202) 219-4155.

Any questions you may have related to matters covered during the audit or in the audit report should be directed to Alex Boniewicz or Joe Stoltz of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,



Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

257 / 019463



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C.

AK005802

December 27, 1994

The Honorable William J. Clinton  
c/o Ms. Lyn Utrecht  
Oldaker, Ryan & Leonard  
818 Connecticut Ave., N.W., Suite 1100  
Washington, D.C. 20006

Dear Mr. President:

Attached please find the Final Audit Report on the Clinton/Gore '92 Committee and Clinton/Gore '92 General Election Compliance Fund. The Commission approved this report on December 27, 1994. As noted on page 4 of this report, the Commission may pursue any of the matters discussed in an enforcement action.

In accordance with 11 CFR §9007.2(c)(1) and (d)(1), the Commission has made an initial determination that you are required to repay to the Secretary of the Treasury \$254,546 within 90 days after service of this report (March 30, 1995).

Should you dispute the Commission's determination that a repayment is required, Commission regulations at 11 CFR §9007.2(c)(2) provide you with an opportunity to submit in writing, within 30 calendar days after service of the Commission's notice (January 30, 1995), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. Further, 11 CFR §9007.2(c)(3) permits a candidate who has submitted written materials to request an opportunity to make an oral presentation in open session based on the legal and factual materials submitted.

The Commission will consider any written legal and factual materials submitted by you within the 30 Day period in making a final repayment determination. Such materials may be submitted by counsel if you so elect. If you decide to file a response to the initial repayment determination, please contact Kim L. Bright-Coleman of the Office of General Counsel at (202) 219-3690 or toll free at (800) 424-9530. If you do not dispute this initial determination within the 30 day period provided, it will be considered final.

95070194624

THE HONORABLE WILLIAM J. CLINTON  
Page 2

The Commission approved Final Audit Report will be placed on the public record on December 29, 1994. Should you have any questions regarding the public release of this report, please contact Ron Harris of the Commission's Press Office at (202) 219-4155.

Any questions you may have related to matters covered during the audit or in the audit report should be directed to Alex Boniewicz or Joe Stoltz of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,



Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

250/0194445



REPORT OF THE AUDIT DIVISION  
ON THE  
CLINTON/GORE '92 COMMITTEE  
AND CLINTON/GORE '92 GENERAL  
ELECTION COMPLIANCE FUND

I. Background

A. Audit Authority

9 5 0 7 0 1 9 4 6 7 6

This report is based on an audit of the Clinton/Gore '92 Committee ("the General Committee") and the Clinton/Gore '92 General Election Compliance Fund ("the Compliance Fund"). The audit is mandated by Section 9007(a) of Title 26 of the United States Code. That section states that "after each presidential election, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of the candidates of each political party for President and Vice President."

Also, 26 U.S.C. §9009(b) states, in part, that the Commission may conduct other examinations and audits as it deems necessary to carry out the functions and duties imposed on it by this chapter.

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 ("FECA"), as amended.

B. Audit Coverage

The audit for the General Committee covered the period from the General Committee's inception July 14, 1992, through June 30, 1993. The General Committee reported an opening cash balance of \$-0-; total receipts of \$63,711,645; total expenditures of \$63,683,481; and a closing cash balance of \$28,163.<sup>1</sup>/ In addition, the General Committee's disclosure reports were reviewed

<sup>1</sup>/ The reported activity does not foot due to minor mathematical errors. Figures included in this report are rounded to the nearest dollar.

through June 30, 1994 for the purpose of determining amounts applicable to the expenditure limitation.

The audit for the Compliance Fund covered the period from inception, May 13, 1992, through June 30, 1993. The Compliance Fund reported an opening cash balance of \$-0-; total receipts of \$8,498,699; total disbursements of \$4,587,859; and a closing cash balance of \$3,909,840.2/

#### C. Campaign Organization

The General Committee registered with the Federal Election Commission on July 17, 1992. The Treasurer of the General Committee during the period covered by the audit was Robert Farmer. The current Treasurer is J.L. "Skip" Rutherford. The Compliance Fund registered with the Commission on May 26, 1992. The Treasurer of the Compliance Fund until August 25, 1992 was David Watkins. The Treasurer from August 25, 1992 through October 14, 1994 was Robert Farmer. The Committee filed an amended Statement of Organization on October 15, 1994 which designated J.L. "Skip" Rutherford as the current Treasurer. Both committees maintain their headquarters in Little Rock, Arkansas.

The General Committee maintained five bank accounts at various times to manage its financial activity. From these accounts, the General Committee made approximately 73,000 disbursements. The General Committee was certified to receive \$55,240,000 from the United States Treasury on July 17, 1992 to fund its campaign. Other receipts included a \$1,900,000 transfer from the Compliance Fund, \$125,000 in loans from the Compliance Fund to finance expenses incurred prior to receipt of the July 17, 1992 grant, and approximately \$6,450,000 in offsets to expenditures.

To manage its financial activity, the Compliance Fund maintained one bank account. From this account, the Compliance Fund issued 139 checks in payment for goods and services and an additional 234 checks for refunds of contributions. Also, the Compliance Fund received approximately 126,700 contributions from about 98,000 individuals totaling almost \$8,473,000. Of this amount, approximately \$2,443,000 originated from contributors to the Clinton for President Committee ("the Primary Committee") as contributions which were redesignated to the Compliance Fund.

#### D. Audit Scope and Procedures

In addition to a review of the committees' expenditures to determine the qualified and non-qualified campaign expenses

2/ The reported closing cash balance does not foot due to a \$1,000 math error in total disbursements on the Summary pages of the Year-End, 1992 disclosure report.

95770194377

incurred by the campaign, the audit covered the following general categories:

1. The campaign's compliance with statutory limitations with respect to the receipt of contributions or loans;
2. the campaign's compliance with the statutory requirements regarding the receipt of contributions from prohibited sources, such as those from corporations or labor organizations (see Finding II.B.1. & III.A.);
3. proper disclosure of receipts, contributions from individuals, political committees and other entities, to include the itemization of receipts when required, as well as, the completeness and accuracy of the information disclosed (see Findings II.A.1. & II.B.2.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.B.2.);
5. proper disclosure of campaign debts and obligations (see Finding II.B.3.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. adequate recordkeeping for campaign transactions;
8. accuracy of the Statement of Net Outstanding Qualified Campaign Expenses filed by the campaign to disclose its financial condition (see Attachment 5);
9. the campaign's compliance with spending limitations (see Finding III.C.); and
10. other audit procedures that were deemed necessary in the situation.

As part of the Commission's standard audit process, an inventory of the committees' records was conducted prior to audit fieldwork. This inventory was conducted to determine if the committees' records were materially complete and in an auditable state. It was concluded that the records were materially complete, except as noted below.

Our review of disbursements was hampered by the campaign's procedures for maintaining disbursement files. The

05070191005

campaign ordered its disbursement files by parcel number<sup>3/</sup> for its draft account and by check number for its other accounts. With respect to other committees, such files are frequently ordered by vendor. Ordering files by vendor allows for a more efficient review of payments made and outstanding balances owed to a particular vendor.

Unless specifically discussed below, no material non-compliance with Statutory and 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 Relative to Non-Repayment Matters

### A. Clinton/Gore '92 General Election Compliance Fund

#### 1. Disclosure of Occupation and Name of Employer

Section 434(b)(3)(A) of Title 2 of the United States Code requires a political committee to report the identification of each person who makes a contribution to the committee in an aggregate amount or value in excess of \$200 per calendar year together with the date and amount of any such contribution.

Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" to be, in the case of any individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 432(i) of Title 2 of the United States Code 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 this Act for the political committee, any report of such committee shall be considered in compliance with this Act.

Section 104.7(b) of Title 11 of the Code of Federal Regulations states, in part, with regard to the identification, as defined at 11 CFR 100.12, of each person whose contribution(s) to the committee and its affiliates 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 written request or by an oral request documented in writing to obtain such information from the contributor. Such effort shall consist of a

<sup>3/</sup> The General Committee sent drafts to personnel in the field in "parcels". A log was maintained for each numbered "parcel." These "parcels" were numbered sequentially and documentation was maintained by "parcels."

95970194339

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.

The Audit staff reviewed contributions from individuals on a sample basis. The sample results revealed an error rate of 50% with respect to disclosure of occupation and name of employer. For some of the errors, the receipt documentation available for review did not contain information concerning related solicitations. Therefore, the Audit staff could not determine if best efforts had been employed. In other instances, the solicitation documentation provided did not contain a request for name of employer. Other errors resulted from instances where the information was obtained but not disclosed.

During the course of the audit, the Audit staff advised the Compliance Fund of the high error rate. The Compliance Fund was again advised of this matter at the exit conference but did not provide an explanation.

Subsequent to the exit conference, the Compliance Fund provided a form letter requesting occupation and name of employer along with a listing of names to whom the letter was reportedly sent. The letter is dated July 19, 1993. It was noted that approximately 85% of the names of the individuals included in the sample errors were contained on the listing provided. The Compliance Fund stated that "amended reports reflecting this information will be filed in the near future." The Audit staff was not made aware of this mailing during fieldwork and was not offered the opportunity to review any responses.

In the Interim Audit Report, the Audit staff recommended that the Compliance Fund submit documentation to demonstrate that best efforts were utilized and file Schedules A-P to disclose occupation and name of employer information obtained as a result of the July 19, 1993 mailing or contained in Compliance Fund files but not previously disclosed.

In response to the Interim Audit Report, Counsel for the Compliance Fund states that the July 19, 1993 mailing "demonstrates that best efforts were made to obtain the information. In addition, the Compliance Fund has filed Amendments to Schedules A-P disclosing the information obtained from this mailing.

"The Compliance Fund further notes that all solicitations for contributions to the Compliance Fund were accompanied by a request for contributor information in compliance with 11 C.F.R. §104.7. ... The Compliance Fund made best efforts to request contributor information as required by §104.7 at the time of solicitation, and reported the information received. To the extent that some information may have been received but not reported, as speculated in the Interim Report, the omission was

95070194700

inadvertent and may have been due to data entry errors." The Compliance Fund also provided copies of sample contributor cards.

Although sample contributor cards were provided that contain a request for the necessary information, these samples do not obviate the fact that some of the contributor response devices reviewed by the Audit staff during fieldwork did not contain a request for name of employer. In addition, as discussed above, the receipt documentation for some of the errors did not contain information associating them with a particular solicitation or with the samples submitted. As a result, the Audit staff could not determine if best efforts had been made by the Compliance Fund. The Audit staff is also of the opinion that a letter sent eight months after the election, and after the matter had been discussed with Compliance Fund representatives by the Audit staff during audit fieldwork, does not demonstrate that best efforts were made to obtain the information.

Although not submitted with its response to the Interim Audit Report, the Compliance Fund has filed amended reports which provide additional disclosures of occupation and name of employer.

## 2. Funds from Non-Allowable Sources

Sections 9003.3(a)(1)(i), (ii) and (iii) of Title 11 of the Code of Federal Regulations state that a major party candidate may accept contributions to a legal and accounting compliance fund if such contributions are received and disbursed in accordance with this section. A legal and accounting compliance fund may be established by such candidate prior to being nominated or selected as the candidate of a political party for the office of President or Vice President of the United States. Contributions to this fund shall be subject to the limitations and prohibitions of 11 CFR parts 110, 114 and 115.

Further, funds received during the matching payment period that are remaining in a candidate's primary election account, which funds are in excess of any amount needed to pay remaining primary expenses or any amount required to be reimbursed to the Presidential Primary Matching Payment Account under 11 CFR 9038.2, may be transferred to the legal and accounting compliance fund without regard to the contribution limitations and used for any purpose permitted under this section.

Finally, contributions that are made 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

950/0194/01

and accounting compliance fund only if the contributions represent funds in excess of any amount needed to pay remaining primary expenses; the redesignations are received within 60 days of the Treasurer's receipt of the contributions; the requirements of 11 CFR 110.1(b)(5) and (1) regarding redesignations are satisfied; and the contributions have not been submitted for matching.

a. Fundraising Expenses Paid by the Primary Committee

The Compliance Fund and the Primary Committee utilized a common vendor for fundraising purposes for a period of time. The Compliance Fund sent two fundraising letters to donors of the Primary Committee. The mailings included letters that dealt with general election issues and requested a contribution to the Compliance Fund. One of these mailings contained a photo of the Presidential and Vice Presidential candidates on the podium at the convention which had been promised in an earlier fundraising appeal by the Primary Committee. The other mailing contained a lapel pin which had also been promised in an earlier mailing of the Primary Committee. Therefore, the mailings served a function for both the Compliance Fund and the Primary Committee. The cost of these mailings was allocated with the Primary Committee paying 85% of the cost and the Compliance Fund paying the remaining 15%.

Documentation was not available detailing how the allocation was determined. The Audit staff concluded that a 50% allocation between the two committees would be more appropriate given the dual function of the mailings. According to the invoices for these mailings, the total costs were \$371,855. Of these costs, the Primary Committee paid \$316,751. If a 50% allocation is used, each committee should have paid \$185,927. Based on this allocation, the Compliance Fund owes the Primary Committee \$130,824 (\$316,751 - \$185,927).

The Compliance Fund representatives were made aware of this matter at the exit conference. Subsequently, the Compliance Fund provided a letter from the vendor dated October 27, 1993. This letter states, in part, that "[t]his allocation relates to two mailings made during the months August and September, 1992, as to which the total cost of producing the mailings were allocated by us based on the respective costs of the fulfillment information and materials relating to the primary campaign as compared to the cost of the components related to GELAC [Compliance Fund] fundraising." However, this response did not contain any documentation with which to verify that the respective costs resulted in this 85% and 15% split.

The letter from the vendor also states that the allocation was done by the vendor "in accordance with standard accounting practice with regard to allocated costs in accordance with the principles set forth by the American Institute of Certified Public Accountants Statement of Position 87-2, relating to accounting for joint costs of informational materials and

950/0194/02

activities that include a fundraising appeal."

The Statement of Position explains that it does not specify any allocation method but only provides guidance concerning when an allocation is appropriate. Further, 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 Fund should pay the entire amount.

Given that: (1) FECA matters are not governed by this accounting publication, (2) the purpose of the publication is not wholly on point, (3) the nature of the guidance contained in the publication, and (4) the dual purpose of the mailing, a 50% allocation is appropriate.

The Interim Audit Report concluded that, given the above, the 50% allocation is appropriate. Therefore, the difference between 50% and 85%, or \$130,824 is a Compliance Fund expense.

In response to the Interim Audit Report, the Compliance Fund disagreed with the Commission's determination that a 50% allocation was reasonable. The Compliance Fund 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 Primary 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 Fund had the opportunity to solicit contributions from a group of known Clinton supporters at a reduced cost. All contributions were directed to the Compliance Fund. Thus, allocating only 50% of the cost to the Compliance Committee is a conservative approach. A larger Compliance Fund allocation could be supported.

The Compliance Fund 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 Fund should pay the entire amount.

The Compliance Fund sent an affidavit from Mitzi Dudley, the treasurer of Strategic Political Response. 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 Compliance Fund 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 Primary Committee, they did overpay this vendor by \$12,558 for these mailings. The vendor may have included part of the overpayment in calculating the \$261,137 and the \$124,654 totals.

Attachment 1 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, and a solicitation to "Please make personal check out to CLINTON/GORE COMPLIANCE FUND". The reverse side of the memo requests contributor information, once again requests contributors to make their check payable to the Compliance Fund and notes that it was authorized and paid by the Compliance Fund. 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 Compliance Fund, the 50% allocation is more than reasonable and consistent with the Commission's regulations.

Another project, performed by this vendor at a cost of \$69,660, was paid entirely by the Primary Committee. This project was for a compilation of contributor information to create a "Master File." Over 90% of the cost was incurred on invoices dated after September 16, 1992 according to available records. The Primary Committee had utilized another vendor to handle the majority of its receipts processing and to provide the Audit staff with the required computer tape containing the contributions and disbursements for the Primary Committee. Also, Compliance Fund representatives requested and received a magnetic copy of that information from the Commission. Based on this information, the Interim Audit Report concluded that the entire amount should have been paid by the Compliance Fund.

95970194/34

In response to the Interim Audit Report, the Compliance Fund submitted an affidavit from Mitzi Dudley.

"All master file work was performed and invoiced to the Primary Committee by Strategic Response 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 communications. [sic] A master file is commonly a master 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 donations [sic] 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."

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.

From the information provided during the fieldwork, the Primary Committee's first fundraising mailing by this vendor was May 18, 1992 and the last July 17, 1992. The Primary 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 Primary Committee paid over \$140,000 for this activity, of which \$55,000 was invoiced after September 16. In fact, the Primary

95770194705

Committee overpaid by \$24,500, which it later recovered as part of a \$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 Fund's first invoice for data entry and caging was dated October 21, 1992 and its last fundraising mailing was on October 9, 1992. The total amount the Compliance Fund paid for data entry and caging was approximately \$80,000. The Compliance Fund did not present information to show that they had paid for any Master File charges.

The response does not establish that this project was part of the original contract, or was related to any Primary Committee fundraising effort. Indeed the Primary Committee had concluded that it was solvent in August of 1992. However, the information available does not establish the Master File as a Compliance Fund project and, accordingly, it is not included in the amount due to the Primary Committee.

The Audit staff identified another vendor to which the Primary Committee paid \$1,720 to defray Compliance Fund expenses. The Compliance Fund has acknowledged that this amount is owed to the Primary Committee.

Therefore, the Primary Committee has paid a total of \$132,544 (\$130,824 + \$1,720) in expenses which should have been paid by the Compliance Fund.

b. Funds Redesignated from the Primary Committee

The Compliance Fund received \$2,444,557 in contributions which were redesignated and transferred from the Primary Committee. The Regulations, as noted above, require that contributions designated for the Primary Committee and made after the beginning of the expenditure report period cannot be transferred to the Compliance Fund unless the contribution is in excess of the contributor's primary limitation; or, the contributions are in excess of funds needed by the Primary Committee to pay remaining expenses. The Primary Committee did not have sufficient funds to pay expenses until receipt of a Matching Fund payment on September 2, 1992.

The amount transferred from the Primary Committee to the Compliance Fund included \$1,519,049 in contributions received from the Compliance Fund's inception through September 2, 1992. The Interim Audit Report concluded that only \$222,532 of these transferred contributions represented either excessive contributions to the Primary Committee or contributions intended for the general election; \$66,846 prior to July 16, 1992 and \$155,686 subsequent to July 16, 1992.

Therefore, the Interim Audit Report stated that the Compliance Fund received \$1,296,517 (\$1,519,049 - \$222,532) in impermissible funds from the Primary Committee.

95970194706

Subsequent to September 2, 1992, the Primary Committee received approximately \$1,025,000 in contributions. Of this amount, approximately \$924,000 was redesignated to the Compliance Fund properly under 11 CFR §9003.3(a)(iii) and is not questioned at this time.

In response to the Primary Committee's exit conference, Primary Committee representatives stated that they dispute the auditors' assertion that these contributions could not be redesignated to the Compliance Fund. They further stated that this assertion is contrary to law. The contributors properly and legally designated those contributions in writing for the Compliance Fund pursuant to 11 CFR §110.1 4/, and the auditors cannot prohibit the Primary Committee from maintaining those contributions in the Compliance Fund.

95070194707

With respect to the propriety of the redesignation, 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 Primary 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 contributor's 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."

The Interim Audit Report also explained that the definition and the calculation of remaining entitlement to which the Primary 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 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,

4/ Although Primary Committee representatives cited 11 CFR §110.2, the Audit staff presumes they meant 11 CFR §110.1.

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 follows the explanation. Finally, it is explained that this 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 11 CFR §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 of a primary committee's remaining matching fund entitlement applying private contributions first and then matching funds.

The Interim Audit Report concluded that the Primary 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 Interim Audit Report recommended that the Compliance Fund provide documentation and any relevant comments to demonstrate that the above mentioned transfers were permissible. Absent such a demonstration, the Audit staff recommended that the Compliance Fund pay \$1,296,517 to the Primary Committee.

In response to the Interim Audit Report, the Compliance Fund puts forth several arguments why no repayment is due. To begin with, the Compliance Fund 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 Compliance Fund contends that no redesignations were necessary to transfer the contributions from the Primary Committee. The response notes that the Primary Committee's

vendor, who processed these contributions, treated them as "redesignations" without the Primary 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 Compliance Fund, using its interpretation of the provisions 11 CFR §110.1, submitted calculations of amounts that could be considered general election contributions without need of redesignations. The calculations included lists by deposit date and number of any amount that was considered to represent general election contributions. The lists were divided into three categories; contribution checks made payable to Clinton for President<sup>5/</sup> with an unsigned primary contributor card attached, contribution 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 Compliance Fund'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 Compliance Fund stated that ~~copies of the contribution checks supporting their analysis were~~ available for our review at its Counsel's Offices.

The Compliance Fund'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.

The Audit staff concluded that the Compliance Fund's analysis was not consistent with the provisions of 11 CFR §110.1, not consistent with the matching fund regulations and the post date of ineligibility matching fund entitlement system, and not consistent with the Primary Committee's treatment of these contributions.

As noted, section 110.1 of the Commission's regulations states that to be considered designated to a particular election a contribution must clearly indicate the election with respect to which the contribution is made. In the view of the Audit staff, the majority of the contributions in contention are so designated. By the Compliance Fund's calculation over \$2.2 million of the \$2.8 million in post date of

5/ 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.

95070124709

ineligibility contributions were made payable to the Primary Committee and \$1.6 million of that was photocopied with a Primary Committee solicitation attached. The Primary Committee and Compliance Fund have different and distinctive names, Clinton For President Committee vs. Clinton/Gore '92 General Election Compliance Fund. Each entity had its fundraising appeals that made it clear which committee was soliciting the contributions. Each committee is a separate entity, has separate accounts, files separate reports with the Commission and has different funding sources. Therefore, the Audit staff stated that a check made payable to Clinton For President is designated in writing for the primary election and to conclude otherwise would be inconsistent with other provisions in the matching fund regulations. As explained above, the Commission's regulations have for many years held that after the date of ineligibility private contributions must be applied to a primary campaign's deficit before any matching funds may be received by the committee. The Audit staff concluded that to allow contributions solicited by, made payable to, received by, and deposited by the Primary Committee may be transferred wholesale to the Compliance Fund is completely inconsistent with the matching fund regulations. Rather than minimize the amount of post date of ineligibility matching funds paid to a candidate such an interpretation would encourage candidates to manipulate their contributions in such a way as to maximize their receipt of matching funds.

The Audit staff analysis also concluded that other sections of the Commission's regulations governing the matching fund program support the Commission's interpretation. In 11 CFR §9034.8(c)(7)(iv), it is clear that when dealing with joint fundraising by publicly funded campaigns, contribution checks made payable to a particular participant are considered to be earmarked or designated to that participant. The case at hand is similar. The contribution is made payable to a particular committee. The difference is that 11 CFR §9003.3(a)(1)(iii) prohibits the redesignations.

Section 9034.5(a)(2)(i) of Title 11 of the Code of Federal Regulations defines cash on hand to include all contributions dated on or before the date of ineligibility. This includes checks received on the last day of ineligibility, but deposited after the date of ineligibility. The Compliance Fund's analysis of the Primary Committee's contributions includes as general election contributions some contributions dated on or before the date of ineligibility. Finally, section 9034.2 of the Commission's regulations define, in part, a matchable contribution to be one that is dated, physically received and deposited by the candidate, or any of the candidate's authorized committees, on or after January 1 of the year immediately preceding the calendar year of the Presidential election, but no later than December 31 following the matching payment period, and made payable to the candidate or his or her authorized committees. The Audit staff concluded that following the Compliance Fund's analysis none of the contributions dated after the date of ineligibility should

95070124710

have been submitted for matching by the Primary Committee. To match such contributions would suggest that contributions intended for the general election and transferable to the Compliance Fund could be matched for the Primary Committee.

In the opinion of the Audit staff, the Compliance Fund's own analysis was inconsistent with respect to these contributions. The lists supporting those contributions made payable to Clinton For President begin with deposits on August 6, 1992. The apparent reason is that the Primary Committee's final matching fund submission contained contributions deposited through August 5, 1992. A sample of the contributions deposited between the date of ineligibility and August 5, 1992, was selected and examined to determine if those contribution checks were different with respect to payee or election designation. No difference was noted. Thus it appears that more significant to the Compliance Fund's analysis than an express election designation, is whether the Primary Committee submitted the contribution for matching. Even more revealing was a review of the contributions contained on the Primary Committee's list of contributions not made payable to Clinton For President and now considered general election contributions. First, a number of contributions are dated before the date of ineligibility and are, therefore, considered cash on hand for NOCO purposes. Second, a spot check of the contributions on this list dated after the date of ineligibility and deposited before August 6, 1992 indicates that the majority of the contributions were submitted for matching and matched. In the opinion of the Audit staff, the Compliance Fund cannot have it both ways.

The Compliance Fund's response to the Interim Audit Report goes on to argue that in August of 1992 the Primary Committee made a calculation of the cut off date beyond which no further matching funds would be sought. The Compliance Fund contends that this estimate was made without benefit of hindsight or the results of the audit. As a result, the Compliance Fund states that fewer contributions were raised for the Compliance Fund than would have been the case had the Compliance Fund known the position that the Commission would take with respect to post date of ineligibility contributions. The Compliance Fund argues further that to require the transfer of funds back to the Primary Committee would result in unfairness to the Compliance Fund because it may leave an insufficient amount to pay continued general election winding down costs.

This argument appears to refer back to the Primary Committee's response to this issue at the exit conference and its later response to the exit conference. As explained above and in the Interim Audit Report, in the opinion of the Audit staff, the Primary Committee's calculation was not in accordance with the Commission's current regulations or long standing practice. Therefore, for the Commission to forgo the transfer from the Compliance Fund and the recapture of matching funds in excess of entitlement from the Primary Committee, would constitute

05070194711

a matching fund subsidy for the Compliance Fund. Such a subsidy would be well beyond the statutory scheme.

The Compliance Fund also objects to the application of both private contributions and matching funds as each is received rather than accounting for matching funds at the time of submission. The Compliance Fund notes two perceived problems with this system. First is the uncertainty of a committee's private contribution flow between the time a submission is made and the time matching funds are paid. The Compliance Fund contends that it is possible for a candidate's matching fund entitlement to change significantly between those two dates making the determination of when no further funds are needed impossible. The Compliance Fund suggests that a better approach would be to include matching funds in the calculation at the time of submission. As explained above and in the Interim Audit Report, the system in place furthers the goal of having campaigns, to the extent possible, pay debts after the candidate's date of ineligibility with private contributions. As for knowing when no further matching funds are needed, it is the committees that are in the best position to know if any matching fund entitlement remains. It is the committees that know on a current basis what changes may have occurred with respect to their NOCO, what contributions have been received and the amount of any pending matching fund submission.

Secondly, the Compliance Fund suggests that the current procedure is unfair to the candidate who processes contributions more slowly. The Compliance Fund uses as an example a case where contributions received one month are not processed until the next, causing a delay in the receipt of matching funds for those contributions. The alleged inequity that the Compliance Fund addresses occurs if the candidate is able to raise sufficient private contributions to liquidate his NOCO before having an opportunity to submit the earlier contributions and have them matched. Again the Commission's long standing policy is to encourage committees to use private contributions to pay campaign debts. The Compliance Fund's suggestion to make the entitlement calculation at the time of submission rather than at the time of payment would maximize the receipt of matching funds, while potentially leaving the candidate with surplus private contributions received after the last matching fund submission is made.

As a final point the Compliance Fund includes a footnote that states:

"The Committee believes that the Commission's approach in this regard is inconsistent with the legal concept of 'entitlement.' A candidate who qualifies for matching funds is entitled to receive them in an amount equal to matchable contributions raised up to 50% of the expenditure limitation. 26 U.S.C. §9034. The process would be far less costly and simpler to administer if

95970194712

the Commission, as envisioned by the statutory language, were to match qualifying contributions up to the 50% limitation and seek a ratio surplus repayment once all obligations have been satisfied. 26 U.S.C. §9038(b)(3). In fact, if the Commission followed the statutory scheme it may be possible to resolve the audits within the six months contemplated in the surplus repayment provision. Id."

The Compliance Fund's Counsel's highly optimistic analysis of the benefits of the recommended change in approach aside, it is noted that the Commission considered and rejected just such a system in the course of its 1987 amendments to the Matching Fund Regulations. More recently, a July 8, 1994, opinion by the U.S. Court of Appeals for the District of Columbia in Lyndon H. LaRouche and LaRouche Democratic Campaign '88 v. Federal Election Commission is relevant. In that decision the Court quotes 11 CFR §9034.1(b) concerning the application of private contributions to a candidate's NOCO and states:

"This language would appear to be dispositive. A candidate is entitled to receive post-DOI matching payments so long as net campaign obligations remain outstanding; and the regulation defines a candidate's 'remaining[NOCO]' as the difference between the amount of his original NOCO and 'the sum of the contributions received ... plus matching funds received.'... Whenever the sum of his post-DOI receipts equal the amount of his NOCO-whether those receipts be in the form of private contributions or matching payments from the public fisc-his entitlement to further matching payments comes to an end. Even if we were to find the regulation ambiguous, which we do not, we would still have to accept the Commission's interpretation of section 9034.1(b) unless we found it 'plainly inconsistent with the wording of the regulation,'... which it is not.

"Having concluded that the Commission's interpretation of its regulations is not merely reasonable, but compelling, we must determine whether the regulations, as construed, represent a permissible interpretation of the Act."

"Here, petitioners have failed to cite anything in either the language or structure of the Act that would render the Commission's interpretation of section 9033(c)(2) unreasonable. To the contrary, its provisions make it clear that Congress wished to restrict the availability of matching payments to candidates it consider[s] viable. Thus the Act expressly limits the class of those who are eligible for funds, 26 USC § 9033, and it withdraws the eligibility of candidates who fail to receive at least ten percent of the vote in two successive primaries. Id §

05070194/13

9033(c)(1)(B). Under the circumstances we fail to discern why it is impermissible for the Commission to adopt a regulation that terminates post-DOI matching funds as soon as a candidate has received sufficient funds from private and public sources to liquidate his NOCO, whether or not they are so used."

Although President Clinton did not become ineligible due to a failure to receive 10% of the vote in two consecutive primaries, once he had passed the date of ineligibility the provisions of 11 CFR §9034.1 are applicable and as the Court concluded, consistent with the statutory scheme.

957/0194/14

After considering the Compliance Fund's arguments and examining the documentation assembled to support their calculations, the Audit Staff again reviewed the composition of the \$155,686 allowance for contributions transferable to the Compliance Fund included in the Interim Audit Report calculations. That allowance included \$34,585 in excessive contributions redesignated to the Compliance Fund, \$52,357 specifically designated to the Compliance Fund by virtue of the payee or a notation on the check's memo line, and \$68,744 in contributions that were made payable to a non-specific payee (e.g. Bill Clinton, Clinton Team, Clinton Campaign, etc.), dated after the date of ineligibility, and not associated with any solicitation. In further review, it was learned that many of the contributions in the non-specific payee category deposited after the date of ineligibility and through August 5, 1992 were submitted for matching by the Primary Committee and matched. This is in accord with the Commission's Guideline For Presentation In Good Order and Regulations which state that a matchable contribution is to be made payable to the candidate or his or her authorized committees. Thus it was apparent that the Primary Committee treated contributions with such payees as primary contributions. The Audit Staff could see no reason to challenge that treatment. The amount that is calculated as transferable to the Compliance Fund from contributions received and deposited by the Primary Committee after the date of ineligibility and through September 2, 1992 was \$99,806. That amount consists of \$34,585 in redesignated excessive contributions, \$56,792 in checks made payable to or otherwise designated to the general election campaign, and \$8,429 in cash contributions identified during the review of records made available with the Compliance Fund's response to the Interim Audit Report.

For the above stated reasons, the Audit staff concluded that the Compliance Fund owes the Primary Committee \$1,353,397. The Audit staff determined this figure by reducing the \$1,519,049 in contributions included in amounts transferred from the Primary Committee to the Compliance Fund by \$66,846, which represents excessive contributions or contributions intended

for the General Election received prior to July 16, 1992; and by \$99,806, representing such contributions received between July 16 and September 2, 1992.

During the consideration of the Final Audit Report for the Primary Committee on December 15, 1994, the Commission considered the question of the application of private contributions to the Primary Committee's remaining net outstanding campaign obligations as of the date of each matching fund payment, versus treating most post date of ineligibility contributions as containing no election designation and therefore transferable to the Compliance Fund.

A motion was made to support the Audit staff analysis requiring the application of private contributions to the Primary Committee's remaining net outstanding campaign obligations before the payment of further matching funds. That motion failed by a vote of three to three with Commissioners Potter, Elliott and Aikens voting in favor and Commissioners McDonald, McGarry and Thomas voting against. A second motion to consider all post date of ineligibility contributions unmatchable unless specifically designated for the primary election also failed by the same vote. As a result of these Commission votes, the Compliance Fund will not be requested to return \$1,353,397 to Primary Committee as recommended by the Audit staff.

B. Clinton/Gore '92 Committee

1. Apparent Prohibited Contribution

Sections 116.3(b) and (c) of Title 11 of the Code of Federal Regulations state that 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 provided that the credit is extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation. Further, in determining whether credit was extended in the ordinary course of business, the Commission will consider whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit; whether the commercial vendor received prompt payment in full if it previously extended credit to the same candidate or political committee; and whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

The Audit staff reviewed an invoice from Chambers Associates, Inc., in the amount of \$117,316 for professional fees and expenses. This invoice stated that it was "for services performed and costs incurred prior to the November 1992 General Election." The General Committee paid this invoice on March 19, 1993. It was also noted that this was the only payment made to this vendor by the General Committee.

9570194715

In response to the exit conference, the General Committee provided invoices from the vendor to document in more detail the \$117,316 in expenses. According to these invoices, expenses were incurred beginning in August and continued until the time of the election. The General Committee also stated that "Chambers Associates provided services in October related to economic issues. The original invoice was submitted to someone on the campaign staff in December or January but was misplaced. When the omission [sic] was noted, the Committee requested that the vendor provide another invoice which was received and paid in March." However, there was still no documentation from the vendor to demonstrate when this amount was originally billed and any subsequent billings or efforts to collect this amount.

Based upon the available information, the Interim Audit Report concluded that the extension of credit for this amount and length of time did not appear to be in the ordinary course of business and resulted in a prohibited contribution pursuant to 11 CFR §116.3.

The Interim Audit Report recommended that the General Committee provide documentation, to include but not be limited to, statements and invoices from the vendor detailing all billings and efforts to collect this amount; and explanations to demonstrate that the extension of credit from this vendor was in the ordinary course of business and did not represent a prohibited contribution pursuant to 11 CFR §116.3. The information was to include examples of other customers or clients of similar size and risk for which similar services had been provided and similar billing arrangements had been used. Also, information concerning billing policies for similar clients and work, advance payment policies, debt collection policies, and billing cycles should be provided.

In response to the Interim Audit Report, the General Committee provided an affidavit from the President of Chamber Associates, Inc., which states that:

"Our firm uses three methods of billing in its normal course of business. One method is to bill by project and to submit a bill upon completion of that project. We are currently involved in two other projects which are also being billed on a completion of project basis.

"The bill was prepared and sent in January, 1993, as soon as practical upon completion of the work we did for the Campaign Committee, and was carried as an account receivable along with other client bills which were prepared and sent at approximately the same time. Several factors contributed to the timing of the billing. First, since so many travel and other incidental expenses were incurred, we wanted to make

957/0194/16

certain we had received all invoices so a correct accounting could be made. Second, my assistant and I took a leave of absence from our firm after this project was completed for approximately two and one-half months. I approve all bills before they leave our office, and because this bill was very detailed, additional time elapsed before I had the time to review it carefully. Finally, once satisfied that the bill was accurate and complete, it was inadvertently sent to the wrong office. Our office then sent another invoice to the Campaign Committee which was received and paid in March, 1993. Accordingly, the billing was paid within 60 days of issuance of the original invoice which is well within the timeframe for receipt of payment from our non-political clients and, accordingly, within the ordinary course of our business.

"For a billing which is straightforward and uncomplicated, the issuance of an invoice would occur no earlier than the month following completion of the project (anytime from the first through the middle of that month.) For example, even for a project completed in November, 1992, which did not require extensive, complicated accounting of expenses, our invoice would have been issued no earlier than mid-December, 1992. As noted above, however, this case involved a very complex billing process because of the number of travel and incidental expenses and the need to be especially accurate in order to ensure that all expenses incurred were properly accounted for and billed. Despite the complex accounting required for this billing, the invoice in this case nevertheless was issued within a short period of time from the earliest possible date of issuance had it been a straightforward, simple billing."

"Chambers Associates did not provide the Campaign Committee with an extension of credit outside its normal course of business. Moreover, as demonstrated above, there was no intention by Chambers & Associates to make a contribution. All aspects of the billing process were handled within the normal course of business."

Based upon the documentation submitted, it appears that the General Committee has demonstrated that this billing did not constitute an extension of credit outside of the normal course of business. Chambers Associates, Inc. was able to provide names of other clients who are billed under a similar arrangement and was also providing services consistent with its normal business practices. Given the above, the Audit staff does not believe that the General Committee received a contribution resulting from an extension of credit outside of the ordinary course of business.

## 2. Itemization of Refunds and Rebates

Section 434(b)(3)(F) of Title 2 of the United States Code requires that each report include 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) of Title 2 of the United States Code defines, in part, the term "identification" to be the name and mailing address of such person. Section 431(11) of Title 2 of the United States Code defines, in part, the term "person" to include an individual, partnership, committee, association, corporation, labor organization, or any other organization or group of persons.

The General Committee's receipt records were reviewed by the Audit staff to determine whether offsets to operating expenditures requiring itemization were disclosed properly. The Audit staff noted problems with respect to the disclosure of receipts from Worldwide Travel, Inc. ("Worldwide"). The General Committee utilized Worldwide to handle billings and receipts relative to press and U.S. Secret Service travel. As Worldwide received moneys, it would deduct credit card fees and a commission for its services. The net amount would then be transferred to the General Committee and reported on its disclosure reports as a receipt from Worldwide. There were no corresponding entries detailing the press organizations who actually paid for the travel. In addition, credit card fees and the fee charged by Worldwide for its services were not reported as a related disbursement.

When apprised of this at the exit conference, a General Committee official stated she thought that they had received Commission guidance concerning this but said she would have to check before she could respond.

Subsequent to the exit conference, the General Committee again stated that "Committee staff was advised by someone at the FEC that its methods of reporting receipts for press travel from Worldwide complied with the reporting requirements of FECA." The General Committee also responded that its "method of reporting is consistent with the reporting requirements applicable when refunds and payments are received by a committee through a commercial vendor."

The Interim Audit Report concluded that, since Worldwide acted only as a billing/collection service, the amounts received from each press agency and the Secret Service should be disclosed on Schedules A-P as a memo entry to support each amount received from Worldwide. In addition, adjustments for the credit card fees deducted and commission charged by Worldwide should have been disclosed as memo entries on Schedule B-P.

95970194718

The Interim Audit Report recommended that the General Committee file amended Schedules A-P and B-P to disclose the offsets to expenditures, credit card fees, and commissions.

In response to the Interim Audit Report, Counsel for the General Committee states that "the Committee contends 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. The General Committee's response states that:

"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 [Advisory Opinion] 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 held 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 though [sic] 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 form [sic] 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 consistant [sic] with the requirements of § 434(b)(3)(f), § 104.3(a)(4)(v) of the regulations and AO 1983-25. The Committee believes that the auditors now are taking the position that the Worldwide reimbursements must be itemized simply because most committees have collected these refunds themselves and have not used a third party vendor to collect press and secret service reimbursements.

"Although the 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, and will be filing them shortly."

Advisory Opinion ("AO") 1983-25 addresses a media vendor, contracted by a committee to administer its media production and media buys, and who, in the course of performing its duties would make disbursements to various advertising entities. In the case at hand, the General Committee paid for the chartering of aircraft, maintained travel manifests which identified the number of press, secret service and General 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 General Committee. The monies received from Worldwide did not represent a refund of General 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.

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.

Based on its responses and documentation provided to date, the General Committee has not addressed all the factors noted above.

Therefore, the receipts should have been disclosed as refunds from the organization which was the actual source of those funds. The press and Secret Service were the providers of the refunds to the General Committee. Worldwide Travel was merely a conduit for the receipts of those refunds.

The General Committee also states that "informal advice" was received from the Audit staff. The Audit staff is unaware of any advice given to the General Committee concerning this matter. In addition, the General Committee has been unable to identify the person who provided this advice.

Although amended Schedules A-P were not submitted with its response to the Interim Audit Report, the General Committee has recently filed amended reports that adequately address this matter.

### 3. Reporting of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code states that each report shall disclose the amount and nature of outstanding debts and obligations owed by or to such political committee; and where such debts and obligations are settled for less than their reported amount or value, a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the consideration therefor.

Section 104.11 of Title 11 of the Code of Federal Regulations states, in part, that debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. In addition, a debt, obligation, or written promise to make an expenditure, the amount of which is \$500 or less, shall be reported as of the time payment is made or no later than 60 days after such obligation is incurred, whichever comes first. Any loan, debt or obligation, the amount of which is over \$500, shall be reported as of the date on which the debt or obligation is incurred.

From the Audit staff's review of selected disbursements, we determined that the General Committee did not materially disclose its debts and obligations on Schedule D-P. Our review of General Committee invoices and related payments indicated outstanding debts and obligations totaling \$1,207,730 which were not reported as required on the General Committee's disclosure reports.

At the exit conference, General Committee representatives were provided photocopies of schedules detailing these debts and obligations. General Committee officials provided no explanations for these omissions.

Subsequent to the exit conference, documentation submitted by the General Committee stated that "the Committee reported its debts and obligations as of the time the check request was approved and received in the accounting department. The Committee believes that its method of reporting debts was in full compliance with the reporting requirements." In addition, the General Committee provided a detailed schedule listing the dates on which the invoices were recorded.

950/0194/21

The Audit staff found the General Committee's response to be without merit. The Regulation determines when a debt shall be reported. The date the obligation is incurred is relevant, not the date on which a committee records an obligation.

The Interim Audit Report recommended that the General Committee file amended Schedules D-P to disclose the debts and obligations.

In response to the Interim Audit Report, Counsel for the General Committee states that "subsequent to the exit conference, the Committee provided the auditors with a schedule listing the dates on which the invoices questioned by the auditors were reported. The Committee sees no sense in amending its reports to disclose information that the Committee did not have in its possession at the time those reports were originally filed.

"The Committee does not dispute that debts and obligations in excess of \$500 must be reported when the obligation is 'incurred.' 11 C.F.R. § 104.11. However, the Committee's accounting staff which was responsible for entering debts and compiling the information to produce the debt schedules had no information concerning those debts until such time as the information regarding the debts was submitted to the accounting department. The Committee is somewhat mystified as to how it was supposed to know about debts prior to the time they were entered into the accounting system. The only way the Committee could have done this during the course of the campaign would have been to amend the prior month's debt schedule each month when the current month's disclosure report was filed. Certainly it would be a complete waste of time and serve no purpose to amend the debts schedules now to move debts from one monthly period to another monthly period."

In addition, the General Committee states that its CPA discussed this issue with a member of the Audit staff who "acknowledged that the Committee could not very well report debts of which it was unaware." The General Committee then concludes that no further action regarding this recommendation is warranted."

Again, the Audit staff does not find the General Committee's position to be convincing. While the Audit staff does understand that something not known to the General Committee can not be reported, it is noted that reports are not filed the day after the end of a reporting period. Committees have a reasonable period of time to insure that reports filed are accurate and complete. Further, there is nothing to preclude a committee from filing amended disclosure reports once additional information becomes known. In addition, the review allowed a period from the date of the invoice for delivery to the General Committee when determining which debts were to be reported. Thus, we believe that the General Committee was allowed ample opportunity to receive invoices and report them as debts as necessary.

950/0194/22

To date, amended Schedules D-P have not been filed by the General Committee.

I. Findings and Recommendations - Repayment Matters

A. Apparent Prohibited Contributions

Section 9003(b)(2) of Title 26 of the United States Code provides that in order to be eligible to receive any payments under section 9006, the candidate of a major party in a presidential election shall certify to the Commission, under penalty of perjury, that no contributions to defray qualified campaign expenses have been or will be accepted by such candidate or any of their authorized committees except to the extent necessary to make up any deficiency in payments received from the fund.

Section 9007(b)(3) of Title 26 of the United States Code states that if the Commission determines that the eligible candidates of a major party or any authorized committee of such candidates accepted contributions (other than contributions to make up deficiencies in payments) to defray qualified campaign expenses, it shall notify such candidate of the amount of the contributions so accepted, and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 441b(a) of Title 2 of the United States Code states, in relevant part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any election for federal office or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section, or any officer or any director of any corporation to consent to any contribution or expenditure by the corporation prohibited by this section.

In addition, Section 100.7(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that the term contribution includes a gift, advance or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.

Section 100.7(a)(1)(iii)(A) of Title 11 of the Code of Federal Regulations states that for purposes of 11 CFR 100.7(a)(1), the term "anything of value" includes all in-kind contributions. Unless specifically exempted under 11 CFR 100.7(b), the provision of any goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services is a contribution. Examples of such goods and services include, but are not limited to: Securities, facilities, equipment, supplies, personnel, advertising services, membership lists, and mailing lists. If goods or services are provided at less than the usual and normal charge, the amount of the in-kind contribution is the difference between the usual and

957/0194793

normal charge for the goods or services at the time of the contribution and the amount charged the political committee.

Further, 11 CFR §100.7(a)(1)(iii)(B) defines, in relevant part, "Usual and normal charge" for goods as the price of those goods in the market from which they ordinarily would have been purchased at the time of the contribution.

During the Audit staff's review of disbursements and offsets to expenditures, we identified nine transactions which appeared at the time of the Interim Audit Report to result in prohibited contributions to the General Committee. The total of those apparent prohibited contributions was \$153,625. A discussion of the circumstances surrounding those transactions follows:

1. Donated Equipment

Included with invoices to support a payment to a General Committee vendor were additional invoices which indicate that the vendor donated sound equipment for use during a rehearsal for a press conference to be held in Atlanta, Georgia. The stated value of this donated equipment was \$1,070. The General Committee was provided documentation relative to this matter during fieldwork. The matter was also addressed at the exit conference.

Subsequent to the exit conference the General Committee stated, "as is customary practice for the company, the equipment for the rehearsal was made available at no charge because it was not rented for that time."

The Audit staff was not aware of the customary practice for providers of sound equipment. Absent a statement from the vendor demonstrating that this was indeed customary practice, it was our opinion that this transaction resulted in an in-kind contribution of \$1,070.

The Interim Audit Report recommended that the General Committee provide documentation to include a statement from the vendor addressing this matter, and any relevant comments to demonstrate that it did not receive an in-kind contribution totaling \$1,070.

In response, the General Committee provided an affidavit from the President of the company. He stated that "concerning the use in question, I arrived at the event location and began setting up for the scheduled event. In the course of doing so, I noticed that the Committee was holding a rehearsal session. As I have done with many of my non-political clients, I approached Committee members and asked if they would like to have sound support for the session. I informed them that since the equipment and I were already present and there was no conflicting engagement, I would turn the equipment on for the rehearsal. As this represented no additional financial, resource, or time

obligation on my part or of my company, I did not require an extra charge. As is our standard practice, although no charge was incurred, I prepared an invoice to maintain equipment accountability." He goes on to name other clients for which he has behaved similarly and in closing states "...at no time did I intend this action to constitute a campaign contribution...".

The General Committee has complied with the recommendation contained in the Interim Audit Report. Upon reviewing the additional documentation provided, the Audit staff is satisfied that a contribution did not occur.

## 2. Payment Not Made by the General Committee

Upon reviewing documentation for payments to the General Committee's vendors, the Audit staff identified a payment credited to the General Committee's account with Opinion Research Calling which could not be associated with any payments made by the General Committee. This vendor, along with Greenberg-Lake, handled polling for the General Committee. The vendor provided an invoice summary which detailed charges and payments to the General Committee's account. Included on this summary was a \$13,130 payment made on 10/14/92. The Audit staff could not identify a related payment from General Committee bank accounts. The matter was addressed at the exit conference.

Subsequent to the exit conference, documentation provided by the General Committee states that "the \$13,130 came from Greenberg-Lake to pay for National Poll #19. It was paid for from funds they had received from Clinton/Gore General account." Based on documentation reviewed, it was apparent that Greenberg-Lake and Opinion Research Calling worked together on polls for the General Committee. The Audit staff reviewed documentation from Greenberg-Lake which contained an invoice summary for all charges and payments related to the General Committee. There was no indication on this summary that the General Committee was billed relative to National Poll #19. As a result, the documentation was still not available to demonstrate that this payment came from Greenberg-Lake and/or the General Committee.

The Interim Audit Report recommended that the General Committee provide documentation and any relevant comments to demonstrate that the payment was not a contribution; document the \$13,130 payment (to include a copy of the negotiated check); and to explain the relationship between the vendors.

In response, the General Committee stated that "subsequent to the Exit Conference, the Committee explained to the auditors that Opinion Research Calling worked with Greenberg-Lake on general election polls, and advised the auditors that the vendors informed the Committee that Greenberg-Lake paid Opinion Research. The Committee has requested additional documentation regarding this and will forward it as soon as it is available."

In a letter subsequently submitted by the General Committee, the Executive Manager of Greenberg Research, Inc. (formerly Greenberg-Lake) states that the "poll was neither performed for nor paid for by Clinton/Gore '92." National poll #19 was conducted for Victory Fund '92 and "Opinion Research erroneously listed Clinton for President as payee on its invoice to [Greenberg Research, Inc.]." Further documentation provided by the General Committee to support its explanation included photocopies of an invoice to Victory Fund '92 and a canceled check showing the payment was made by D.N.C. Services Corp. - General Fund.

The General Committee has complied with the recommendation contained in the Interim Audit Report. Upon reviewing the additional documentation provided, the Audit staff is satisfied that a contribution did not occur.

### 3. Deposits Credited to General Committee Bills

From various reviews conducted throughout the audit, the Audit staff noted three deposits that were credited to General Committee bills. The source(s) of the funds used to make these deposits could not be identified or verified. The total of these deposits was \$28,325.

Two of these deposits involved phone companies. When reviewing refunds received by the General Committee, we noted that the General Committee was credited with a \$7,800 deposit made to one company and a \$19,525 deposit to another company. However, from our review of documentation relative to these vendors, it appeared that the General Committee did not make these deposits.

The remaining deposit related to a vendor that provided sound and staging to the General Committee. Documentation from this vendor in support of a General Committee payment contained a credit for a \$1,000 deposit which did not appear to have been made by the General Committee. These matters were presented at the exit conference. Subsequent to the exit conference, the General Committee stated that "the \$1,000.00 has been paid with check #12577 issued on 10-8-93." This response did not explain the source of payment of the \$1,000 deposit credited on the original invoice from the vendor. Therefore, it still appeared that a \$1,000 payment was made to the vendor by someone other than the General Committee.

The Interim Audit Report recommended that the General Committee provide documentation and a statement from each vendor documenting the source of these funds, and any relevant comments to demonstrate that the items did not constitute contributions.

In response, the General Committee provided documentation to support the deposits paid to the phone companies.

95070194/26

With respect to the \$7,800 to one of the phone companies, the General Committee provided documentation for a cashiers check which demonstrated that the General Committee made the deposit in question. For the \$19,525 in deposits to the other phone company, the General Committee provided documents demonstrating payment of the deposits that establishes that \$19,100 was paid by the Primary Committee and that the General Committee has refunded this amount accordingly. The remaining \$425 is not material.

Although, the General Committee demonstrated that it did not receive contributions relative to the two phone companies, there was no response to the item for sound and staging. As noted above, the General Committee made a \$1,000 payment to the vendor in October of 1993 but there has been no documentation provided to establish the source of the original deposit. Therefore, it still appears that the General Committee received a \$1,000 contribution.

#### 4. Amended Contracts

During the course of the campaign, the General Committee entered into contracts with four media related vendors, that called for consulting payments to be made on specific dates. Prior to the last payment date, the General Committee entered into amended media services agreements with these four vendors. One of the stated reasons for the amended agreements was that the "Consultant and the Committee recognized that certain of the services provided by Consultant were for the benefit of the Democratic National Committee rather than the Committee." The amended agreements further stated that the Democratic National Committee ("DNC") and the vendor are entering into separate contracts "with respect to that portion of the Consultant's services to be provided to the DNC." The DNC did not report any payments to these vendors as coordinated party expenditures pursuant to 2 U.S.C. §441a(d)(2) 6/. General Committee representatives were questioned about these amendments during fieldwork. They provided no response at that time.

At the exit conference, General Committee representatives explained that during the course of the election, it became apparent that these vendors were also performing services for the DNC and that it was recognized that the DNC should pay for part of the services. The Audit staff responded that more detail was needed to explain why part of the services provided were the responsibility of the DNC and not of the General Committee. The portions of the original amount contracted for, which the General Committee did not pay, total \$111,100.

Subsequent to the exit conference, the General

6/ The DNC reported that \$9,682,375.38 of its \$10,331,703 National Party Limit for the 1992 Presidential (General) Election had been expended through June 30, 1994.

95970194127

Committee responded that "these contracts were amended to reflect the services actually performed by the individuals who were also working for the DNC. Their services for the DNC were on generic democratic media." This did not provide any more detail than the General Committee's response at the exit conference.

The Interim Audit Report concluded that, absent documentation to demonstrate that the services provided related to the DNC, the General Committee had received contributions totaling \$111,100.

The Interim Audit Report recommended that the General Committee provide statements and documentation from the DNC and the media vendors demonstrating the services provided related to the DNC, and any relevant comments to demonstrate that the amended contracts do not result in a contribution.

In response, the General Committee states that "according to the terms of the contracts themselves, which were provided to the auditors during fieldwork, the contracts were amended because it became apparent that the services required of the vendors were different than originally anticipated. It is clear from the terms of the contracts that they were amended because the four vendors would be providing fewer services to the Committee than anticipated in the original contracts. Instead, each of the four vendors also began working for the DNC. The auditors were specifically advised that the services for the DNC were on generic media. As the auditors well know, generic media is that which does not mention any specific candidate and therefore which does not have to be allocated to any candidate. There is nothing in the Act or regulations that prevents a committee from amending its contracts, and it is clear that generic media need not be allocated to any candidate's campaign committee. We are, therefore, somewhat at a loss as to what the auditors think they need or are entitled to concerning the services provided by these four vendors."

"The Committee believes that it is absurd for the auditors to allege an impermissible contribution on the basis of an amended contract that calls for reduced services to the Committee. However, even though the auditors have no basis for suggesting that these vendors, the DNC or anyone else, made contributions to the Committee amounting to \$111,100, we have obtained from the DNC copies of the four vendors' contracts with the DNC and a letter from DNC General Counsel regarding the services provided to the DNC. It is clear from the amended contracts themselves, and from the additional documentation provided, that no contribution resulted to the Committee from the amendment of these contracts."

The letter from the DNC General Counsel states that the DNC has sent copies of contracts with the four vendors which "will confirm that, according to our records, these payments were made for creative and consulting services in connection with the

05070194128

production of generic media, i.e., media which urged support for the Democratic Party and its candidates without mentioning a specific candidate." The contracts all state that "Consultant shall provide the DNC with the following services:

- o Writing of generic Democratic television advertising and radio commercials.
- o Production of generic Democratic television and radio commercials.
- o Writing, design and layout of generic Democratic print ads."

It is noted that the contracts between the vendors and the DNC provide for the DNC to pay approximately 24.4% of the total amount originally to be paid by the General Committee. These contracts call for the vendors to provide services from September 8, to November 15, 1992. However, the contracts were not signed by a representative of the DNC until October 26, 1992, and were signed shortly thereafter by the vendors. With respect to the amended contracts between the vendors and the General Committee, the dates on the amended contracts are October 15, 1992. However, there is no indication of when the contracts were actually signed by the vendors.

There was no documentation provided from the media vendors detailing the services provided. Although the Audit staff is aware of what generic media means, there has been no documentation provided to demonstrate that the services provided by the vendors to the DNC were different from the services originally contracted to be provided. Also, there is no indication how the General Committee and the DNC determined that approximately 24.4% of the work provided related to the DNC. Given the timing of the contracts between the DNC and the vendors as well as the amendments between the General Committee and the vendors, there is no explanation why the General Committee and the DNC did not realize earlier that the work being performed by the vendors was related to both committees. Therefore, sufficient documentation has not been provided to demonstrate that \$111,100 in contributions did not occur.

In conclusion, it appears to the Audit staff that the General Committee has received \$112,100 (\$1,000 + \$111,100) in prohibited contributions and a repayment to the U.S. Treasury is warranted.

#### Recommendation #1

The Audit staff recommends that the Commission make an initial determination that the General Committee is required to make a \$112,100 repayment to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(3).

957/0194.22

B. Apparent Non-Qualified Campaign Expenses

Section 9002(11) of Title 26 of the United States Code defines, in part, the term "qualified campaign expense" as an expense incurred by the candidate of a political party for the office of President, by the candidate of a political party for the office of Vice President, by an authorized committee of the candidates of a political party for the offices of President and Vice President to further the election of either or both of such candidates to such offices. In addition, neither the incurring nor payment of such expense shall constitute a violation of any law of the United States or the State in which such expense is incurred or paid.

Section 9007(b)(4) of Title 26 of the United States Code states, in part, that if the Commission determines that any amount of any payment made to the eligible candidates of a political party 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 candidates of the amount so used, and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 9003.5(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) are qualified campaign expenses as defined in 11 CFR 9002.11.

Section 9007.2(b)(2) of Title 11 of the Code of Federal Regulations states, in relevant part, that if the Commission determines that any amount of any payment to an eligible candidate from the Presidential Election Campaign Fund was used for purposes other than to defray qualified campaign expenses, it will notify the candidate of the amount so used, and such candidate shall pay to the United States Treasury an amount equal to such amount.

1. Apparent Duplicate Payments

During our review of disbursements, the Audit staff discovered expenses incurred by the General Committee which appeared to have been paid more than once by the General Committee. We identified 28 such payments to 13 vendors totaling \$21,614. The General Committee was made aware of these items during the course of audit fieldwork and at the exit conference.

Subsequent to the exit conference, the General Committee provided additional documentation which demonstrated that some of these payments (about \$12,945) had subsequently been refunded. Most of these refunds (about \$8,907) occurred in September and October of 1993, after the conclusion of audit fieldwork.

9597012470

At the time of the Interim Audit Report, there remained 12 payments to 4 vendors totaling \$8,669 which appeared to be duplicate payments; the funds had not been recovered. For some of those payments, the General Committee had acknowledged that a duplicate payment had occurred and that refunds would be forthcoming. For others, the General Committee stated that the payments were applied to amounts outstanding. However, documentation had not been provided to confirm this. The Interim Audit Report stated that if any of the funds were recovered from the vendors or the documentation to demonstrate application of these amounts was provided, the amount subject to repayment would be reduced accordingly. The amounts of duplicate payments recovered (\$12,945) and outstanding (\$8,669) were included on the NOQCE as accounts receivable due from the respective vendors.

In the Interim Audit Report, it was recommended that the General Committee submit documentation to demonstrate that apparent duplicate payments were either applied to other invoices or had been recovered. Absent such a demonstration, the Audit staff would recommend that the Commission make an initial determination that the General Committee was required to make a repayment of \$8,669 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

In response, the General Committee stated that \$694 had been refunded to the General Committee, but only submitted documentation to demonstrate that \$340 had been refunded. Documentation was also provided to demonstrate that an additional \$641 was uncollectible. Finally, Counsel for the General Committee states that another vendor has acknowledged a credit balance of \$1,496 and the General Committee is still attempting to resolve the remaining \$6,479.

The Audit staff notes that the uncollectible duplicate payment of \$641 remains a non-qualified campaign expense subject to repayment. Further, although the General Committee states that a vendor has acknowledged a credit balance (\$1,496), it does not appear that the amount has been recovered.

Therefore, based upon the above, \$340 has been resolved, which leaves an unresolved amount of \$8,329 (\$8,669 - \$340) which is repayable to the U.S. Treasury (see Attachment 2).

#### Recommendation #2

The Audit staff recommends that the Commission make an initial determination that the General Committee is required to make a repayment of \$8,329 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

95970194/1

## 2. Non-Campaign Related Activity

From our review of disbursements and the associated documentation made available by the General Committee, the Audit staff identified 16 disbursements totaling \$87,077 which appeared to be for purposes other than to defray qualified campaign expenses.

Of the 16 items, 8 disbursements totaling \$70,296 were payments for rented equipment not returned or lost. Included was a disbursement of \$34,768 to Alamo Rent A Car ("Alamo") for two missing vehicles. One of these vehicles was rented in Florida and the other in Texas.

In response to the exit conference, the General Committee provided an explanation which detailed its attempts to recover the vehicles. From this documentation, it appeared that the campaign staff who rented the vehicles allowed them to be used by a number of persons and eventually lost track of who had the vehicle. In both cases, the General Committee had not been able to determine who last had possession of the vehicles. Without this information, both Alamo and the General Committee were precluded from filing stolen vehicle reports with the appropriate authorities. The other seven payments were for items such as computers and communication devices which had been lost. The General Committee also stated in response to the exit conference that it was self-insured and that it was cheaper to pay for lost equipment than to maintain insurance.

The remaining 8 items did not appear related to the general campaign. One was a payment of \$350 for business cards invoiced after the close of the expenditure report period and another was a \$4,351 payment for installation of phones in New Jersey in 1993. Three payments totaling \$1,100 appeared to be activities related to the post-election transition and two payments totaling \$2,251 were for the travel expenses of individuals attending the inauguration. In response to the exit conference, the General Committee stated that it has reviewed these payments and has requested reimbursement from the appropriate entities.

The remaining item was a \$8,730 payment in February, 1993, to Wright, Lindsey & Jennings. This payment was for retainer services and expenses incurred by the firm. The description on the invoices was for "Incorporation & General Advice." The firm provided invoices to support the incurrence of the expenses. Two of the expenses were to "file Articles of Incorporation for Little Rock '92 Election Host Committee, Inc.." This was the only documentation available to support the nature of the incorporation and general advice. The Little Rock '92 Election Host Committee was not affiliated with the General Committee, but was a corporation registered with the Arkansas Secretary of State. Therefore, it appeared, based on the

95070124/32

documentation made available, this payment was not made to defray a qualified campaign expense.

The Interim Audit Report recommended that the General Committee submit documentation which demonstrates that the expenses noted above were qualified campaign expenses. The documentation was to include, but not be limited to, information on factors such as the relative value of the lost equipment and methods employed by the General Committee to safeguard the equipment. Absent such a demonstration, the Interim Audit Report stated that the Audit staff would recommend that the Commission make an initial determination that the General Committee is required to make a repayment of \$87,077 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

In response, the General Committee provided documentation, memoranda, and made a number of arguments in an attempt to demonstrate that these disbursements were for qualified campaign expenses. The General Committee responses to the various items in question are discussed below.

The General Committee provided memoranda, explanations, a letter from its insurance agent, and a written equipment security policy in its reply to the 8 disbursements totaling \$70,295 for lost equipment. The General Committee states that "the Committee objects to treatment of these payments as non-qualified campaign expenses."

"Throughout [sic] the general election, the Committee and its members exercised great care in the maintenance and security of leased equipment. Each incident cited by the Audit Division was investigated at the time of loss for both potential recovery of equipment and to discover any potential misconduct or gross negligence on the part of a Committee member. It is the Committee's position that there was no evidence of misconduct or gross negligence on the part of any Committee member, and thus it was unnecessary to execute the Committee's policy of withholding salaries upon the discovery of evidence of misconduct or gross negligence. As the letter from the the Committee's insurance agent indicates, it was not commercially [sic] feasible for the Committee to have purchased insurance to cover such losses. First, in order to negotiate a deductible low enough to have permitted loss recovery, the applicable permium [sic] would have been cost prohibitive (the Committee's deductible was \$5,000). Secondly, given the staff fluctuations associated with typical campaign environments and the tremendous geographical regions that would require coverage, the cost for insurance, to the extent available at all, would have far exceeded its value to the Committee.

95970194733

"In light of the prohibited cost of commercial insurance the only commercially reasonable and fiscally responsible alternative for the Committee was self insurnace [sic]. 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. (Committee payments for non-auto rental equipment represented only 1.4% of the total monies spent on leases while auto rental losses were only 1.4% of the total as well). Ultimately, not only was the decision to self insure the only available option, but also the wisest. As most of these losses occurred [sic] during advance team travel, and were not revealed until team members had departed the event site, police reports were not practicable. In the case of the rental vechicles [sic], the Committee attempted but was not permitted to file such a report. The Committee went to great lengths both to recover the vechicles [sic] and to recover their costs from the appropriate insurance agencies. However, as explained in the exhibits, the Committee was unable to either recover the vehicles or submit this loss for insurance reimbursement."

With respect to the two missing vehicles, the General Committee provided a letter from its insurance agent, memoranda from a staff person, and a letter from Alamo. The agent states, in part, that:

"...by requiring that cars leased by advance team people be covered for liability on a primary basis through the lease company we transferred the exposure to the lease company and thereby, effectively provided a first layer of protection that the campaign had between it and any claims...I would further point out that any number of autos had accidents during the campaign. Because the rental company was primary, we did not pay...Remember we protected the campaign against catastrophic risk. The campaign chose to self-insure relatively smaller exposures because it was prudent business practice and it saved money."

In addition, the letter from Alamo states that:

"...even though we are the owners of these vehicles, we cannot report them stolen because they were rented to the Clinton for President Campaign. In the case of the Dallas rental, the police in Dallas have taken the position that if a 'permission user' (someone who was given the keys) is involved, no crime has occur[r]ed. Therefore, they will not take a stolen vehicle report.

950/0194/34

"If the vehicle was left in a specific location we need either: (A) A statement from the last person who had the vehicle as to what happened to the vehicle, OR (B) The last person who has [sic] the vehicle needs to report it stolen to the police.

"As to the Miami rental, until we can determine who last had the car, the police will not take a stolen vehicle report from us. The same things would be required as in A and B above. Failing that, the only way we could report the car stolen would be to report it as a failure to return" by the person who rented the car "which would result in a warrant being issued for his arrest."

For the lost equipment other than the automobiles, the response included another letter from its insurance agent which discusses Fidelity Coverage and a copy of the General Committee's "Loss Prevention Policy."

The letter from the insurance agent notes that the quote for an insurance premium included the accounting department located in Little Rock. The letter states, in part, that "as time progressed and controls were instituted, the issue of fidelity nationally became less important at locations other than headquarters." The rates quoted were based on the campaign self-insuring the first \$25,000 of any loss and coverage was limited to catastrophic loss at the General Committee's primary location. The General Committee "self-insured small exposure and minimized the change by designing controls into its organization, i.e. no cash transaction."

With regard to its "Loss Prevention Policy", the General Committee states that "once each piece of equipment in the inventory was associated with a department and individual staff member, we sent out departmental inventory lists to each department head so that he/she could verify the information. After receiving confirmation from each department head, we issued a memo to staff and department heads stating our policy.

1. Unreturned equipment was the financial responsibility of the user (as indicated on the inventory).
2. If the equipment was not returned, the cost of replacing that equipment was deducted from the user's final paycheck.
3. The value of the equipment was included as taxable income on the user's W-2 form.
4. All equipment used by the department in general was the financial responsibility of the department head.
5. Unreturned general use equipment was deducted from the department head's final paycheck.

957/0124789

6. Unreturned general use equipment was included as taxable income on the department head's W-2 form.
7. Any individual responsible for any unreturned equipment had a note made in campaign personnel records, and this point was included when recommendation requests were made regarding future employment.

All of these points were made in a memo to staff. We did not have to penalize many; however, if it was necessary, we had provided the notification required to allow us to do so." The memo also discusses steps taken to increase security measures in the building.

The Audit staff does not find the General Committee's arguments to be persuasive. The 8 disbursements totaling \$70,296 are still considered to be non-qualified campaign expenses (see Attachment 3). With respect to the lost vehicles, it is apparent that some individuals working for the General Committee did not exercise due care in keeping track of the vehicles. As noted in the letter from the insurance agent, primary insurance coverage was maintained through the rental agency and catastrophic loss was covered by the insurance company. However, due to the circumstances surrounding the disappearance of the vehicles, neither the General Committee nor the rental agency could file a stolen vehicle report. The General Committee's subsequent attempts to recover the vehicles do not relieve the campaign of its obligation concerning these vehicles. Although the campaign states it had a "Loss Prevention Policy" to cover such losses of equipment, "it is the Committee's position that there was no evidence of misconduct or gross negligence on the part of any Committee member, and thus it was unnecessary to execute the Committee's policy." The General Committee provided no documentation to demonstrate how these determinations were made. The General Committee also states that a "relatively small amount" was paid for the replacement of lost equipment as compared to total monies spent on equipment leased. The General Committee again provided no documentation to support its calculation. However, the Audit staff believes that the percentage is irrelevant. As noted in Attachment 3, the payments for this lost equipment were not for small dollar items and we believe more prudent care should have been exercised. Although the General Committee was responsible for making the payments for lost equipment, these payments should be considered non-qualified campaign expenses and subject to repayment.

Finally, the General Committee also provided documentation for the remaining 8 items involving payments for other than lost equipment, which did not appear to be related to the campaign. The Audit staff's review of this documentation indicates that the payments were for qualified campaign expenses or the funds have been recovered.

950/019476

Thus, it is the Audit staff's opinion that the General Committee has made 8 payments totaling \$70,296 which are deemed to be non-qualified campaign expenses (see Attachment 3).

Recommendation #3

The Audit staff recommends that the Commission make an initial determination that the General Committee is required to make a repayment of \$70,296 to the U.S. Treasury pursuant to 26 U.S.C. §9007(b)(4).

C. Expenditure Limitation

Sections 441a(b)(1)(B) and (c) of Title 2 of the United States Code state, in relevant part, that no candidate for the office of President of the United States who is eligible under section 9003 of title 26 to receive payments from the Secretary of the Treasury may make expenditures in excess of \$20,000,000 as adjusted for the increases in the Consumer Price Index.

Section 9004(a)(1) of Title 26 of the United States Code states that the eligible candidates of each major party in a presidential election shall be entitled to equal payments under section 9006 in an amount which in the aggregate shall not exceed the expenditure limitations applicable to such candidates under Section 441a(b)(1)(B) of Title 2.

Section 9007(b)(2) of Title 26 of the United States Code states that if the Commission determines that the eligible candidates of a political party and their authorized committees incurred qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party were entitled under section 9004, it shall notify such candidates of the amount of such excess and such candidates shall pay to the Secretary of the Treasury an amount equal to such amount.

Section 9004.4(a) of Title 11 of the Code of Federal Regulations limits the use of such payments to expenditures for the following purposes: to defray qualified campaign expenses; to repay loans that meet the requirements of 11 CFR 100.7(a)(1) or 100.7(b)(11) or to otherwise restore funds used to defray qualified campaign expenses; and to restore funds in accordance with 11 CFR 9003.4 for qualified campaign expenses incurred prior to the beginning of the expenditure report period.

Section 9003.4(a) of Title 11 of the Code of Federal Regulations states, in relevant part, that a 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 his or her general election campaign. Examples given include expenditures for establishing financial accounting systems, organizational planning and polling.

959/012477

Further, 11 CFR §9003.4(b), in relevant part, limits the sources of funds used to make expenditures prior to the expenditure report period to: a candidate obtaining a loan which meets the requirements for loans in the ordinary course of business; borrowing from his or her legal and accounting compliance fund; use of the candidate's personal funds up to his or her \$50,000 limit; and, for a candidate who has received federal funding under 11 CFR part 9031 et seq., borrowing from his or her primary election committee(s) an amount not to exceed the residual balance projected to remain in the candidate's primary account(s) on the basis of the formula set forth at 11 CFR 9038.3(c).

Section 9004.9(d)(1) of Title 11 of the Code of Federal Regulations states that the term capital asset means any property used in the operation of the campaign whose purchase price exceeded \$2000 when acquired by the committee. The fair market value of capital assets may be considered to be the total original cost of such items when acquired less 40% to account for depreciation.

Finally, 11 CFR §9003.3(a)(2)(ii) provides, in relevant part, that expenditures for computer services, a portion of which are related to ensuring compliance with Title 2 and Chapter 95 of Title 26, initially paid from the candidate's federal fund account may later be reimbursed by the compliance fund. A candidate may use contributions to the compliance fund to reimburse his or her federal fund account an amount equal to 70% of the costs (other than payroll) associated with computer services. Such costs include but are not limited to rental and maintenance of computer equipment, data entry services not performed by committee personnel, and related supplies.

The expenditure limitation for the 1992 general election for the office of President of the United States is \$55,240,000.

Based on our reconciliation of the General Committee's bank activity to its reported activity from its inception through June 30, 1993, and a review of reported activity from July 1, 1993, through June 30, 1994, the Audit staff determined that the General Committee disbursed \$64,920,993. From this figure the Audit staff deducted loan repayments (\$125,000), offsets to operating expenditures (\$7,012,115) and refunds from the Compliance Fund (\$2,595,000) for compliance-related expenditures to arrive at operating expenditures subject to the limitation of \$55,188,878.

In addition, the Audit staff determined that, with respect to our analysis of expenditures subject to the limitation, the following additional adjustments are necessary.

1. Amount Due to the General Committee from the Primary Committee

The Audit staff has included as an accounts receivable \$39,104 owed to the General Committee by the Primary Committee.

This amount includes payments by the General Committee for: a reimbursement (\$2,255) to Julia Payne for her convention-related expenses; an overpayment (\$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); and, AT&T telephone services relative to the Primary Committee (\$21,528).

At the exit conference, General Committee representatives had limited comments, and stated they would have no questions until they had reviewed our documentation. The Audit staff did not receive any documentation in response to the presentation of these items at the exit conference.

In response to the Interim Audit Report, the General Committee agreed that these items should be included, but believes the correct figure should be \$43,726. The Audit staff has reviewed the General Committee's calculations and has adjusted its analysis accordingly.

2. Amount due the Primary Committee from the General Committee for Payment of General Election Related Expenses

During the Audit staff's review of the Primary Committee's vendor files, numerous disbursements made by the Primary Committee 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 Primary Committee began moving into new office space. It was this location that the General Committee and Compliance Fund 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 at the Gazette Building, the Primary 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

05010194172

"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 completed by July 16, 1992, it is apparent that such services were in preparation for the general election campaign.<sup>7/</sup>

During the primary election period, the Primary Committee's records reflect the purchase of only small amounts of computer equipment. Instead, most equipment was leased. Also, the Primary Committee contracted with a Washington, D.C. firm for computer services. The firm prepared matching funds submissions including computer tapes, disclosure reports, and provided the computer tapes required for the audit. The Primary Committee had a computer terminal linked with the vendor. During the audit, the Primary Committee requested and was provided copies of the computer files obtained by the Audit Division directly from the vendor. Therefore, it does not appear that the Primary Committee's computer files were loaded from the vendor's system to the campaign's computer system until 1993.

Beginning at the end of May, 1992, the Primary Committee purchased a large amount of computer equipment, both personal computers and a larger system. In most cases a 40% depreciation allowance was taken and the computer equipment was then sold to the General Committee at 60% of the purchase price, net of sales tax.

Between May 28 and July 15, 1992, the Primary Committee purchased 50 personal computers, software, and supplies from The Future Now, Inc.. Between June 1, and August 9, 1992, the Primary Committee paid The Future Now, Inc. \$118,742. The General Committee purchased this equipment for 60% of the original cost, less sales tax.

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 Primary 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

<sup>7/</sup> Certain electrical work and data installation occurred July 10 through July 16, 1992.

957701947:0

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 Primary Committee 60% of this original cost, less sales tax.

The Primary Committee also purchased computer equipment from W.P. Malone. The Primary Committee paid a \$104,175 invoice dated June 30, 1992 on August 25, 1992. As with the other equipment purchased from the Primary Committee, the General Committee paid 60% of the amount.

In addition, W.P. Malone was paid \$33,260 on August 25, and November 9, 1992, by the Primary Committee for programming services and 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 Primary Committee submitted additional information. The Primary Committee objected to the Audit staff characterization of these payments as general election expenses. According to the Primary 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 Primary Committee stated that the initial computer system was inadequate for the Primary Committee's needs in the early months of 1992. The system was unable to accommodate the Primary Committee's expanding database and volume of correspondence, as well as to accommodate the Primary Committee's delegate tracking and communications.

The Primary Committee's response 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 Primary Committee could not meet its 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."

9597019411

She continues that after a thorough evaluation of the systems available, the Primary 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." In addition the Primary 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 the Primary 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 system and 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 Primary Committee had leased up to that time.

The total amount paid for computer equipment and related services described above is \$540,313 excluding I-K Electric. Given that: (a) the Primary Committee contracted with a Washington, D.C. firm for much of its computer work, (b) the Primary Committee leased the majority of its computer equipment, and (c) the purchases were not made and the temporary system not installed until nearly all primaries were over, with the permanent system 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, in the Interim Audit Report, it was concluded that the entire amount was considered to be general election expenses. The General Committee paid the Primary Committee \$285,923 for the computer equipment, leaving a balance due of \$254,390 (\$540,313 - \$285,923), plus \$79,808 for rewiring.

In addition to the above, the Primary 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

95970194742

and data entry services used by the Primary Committee, the General Committee, and the Compliance Fund at all relevant times during the campaign. Identify the time periods that the various systems were used, and how each system was used by General Committee, and how the systems differed from each other.

In response to the Interim Audit Report, the General Committee submitted a chronology of the campaign's computer systems (Attachment 4). 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; and services provided by Public Office Corporation beginning in December of 1991 and continuing to the present.

• 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 the Primary Committee by listing the hardware, software, and peripheral devices making up the system.

The 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 Primary Committee, the General Committee, or the Compliance Fund and when these items were moved to the Gazette Building from their 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 Primary 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 General Committee did not provide any of the detailed information in its response. The response also did not list this company as a vendor for the General Committee or the Compliance Fund, 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 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.

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 on the 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 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 General Committee provide the same information and documentation specified for the systems leased from W.P. Malone or purchased from ICL.

The response describes the permanent 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 response states that the system expansion accommodated the additional needs of delegate tracking.

With respect to transferring of functions the General 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 General 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 response included 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 its 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 General Committee response did not provide any of the detailed information requested above.

° Explain why the Primary Committee took a 40% depreciation on the computers that were purchased for the primary campaign.

In the response, it is stated that the General Committee followed the Commission's regulation and instructions in the Primary Manual when the equipment was transferred to the General Committee. According to 11 CFR §9034.5(c)(1), assets acquired before date of ineligibility may be depreciated by 40% or more.

° Explain and document how the computers and software purchased from Future Now, Inc. furthered the Primary Committee's primary or convention related activity. How specifically did the Primary 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 General Committee repeated many of the arguments made in response to the exit conference that are addressed above. In addition, the General Committee makes a number of specific points that are addressed below.

° The General Committee argues that the Commission adopted the 40% depreciation provision at 11 CFR §9034.5 to simplify the

059/0194/16

transfer of assets between primary and general committees with knowledge that some assets would be purchased early in the campaign and others later.8/

The General 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).

° The General Committee asserts that the equipment was used during the primary campaign and that the enhanced computer capacity was critical to respond to the Primary Committee's increased correspondence needs, for increased delegate tracking, to support the scheduling operation, for general political support and for communications. As noted earlier the General Committee provided little of the specific information requested in the Interim Audit Report to support its contention. However, the General 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.9/

In fact the documentation indicates that there is not a significant increase until July, 1992. For the first half of July the Primary Committee processed over 6,000 pieces of correspondence, but the number increased to over 9,000 in the

8/ The General 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 General 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 General 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. Part of the cost of an asset is any applicable sales or other tax.

9/ Although, in a memorandum submitted by the Primary Committee in response to the exit conference, it states that mailing of 5,000 to 6,000 pieces per day were being handled. The relationship between these two memoranda is not clear.

95070194147

second half of July, to almost 27,000 pieces in August, and then it decreased to almost 19,000 in September. In our opinion, the documentation the General Committee submitted indicates they accomplished their objectives with their 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, the operation was moved to a separate location and utilized a personal computer network. The General 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 General Committee also argues that the audit analysis is inconsistent since the equipment is challenged but not increased levels of staffing. Although the General Committee may be correct that some staff hired by the Primary 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 Primary 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 Primary Committee decided to buy the new system with the expectation that "it would be transferred to the General with depreciation of 40%". It is not argued that the campaign made the wrong choice. However the alternative is not relevant to the issue at hand.~~

In summary, the General 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. Therefore, 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

25710194/48

for the upcoming general election campaign, some of the remaining needs of the primary campaign would be moved to the new system.

Based on 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 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 General Committee stated 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 General Committee did note that \$12,500 in rent was erroneously paid by the Primary Committee.

b. Polling

The Primary Committee conducted a number of opinion polls between mid-June 1992 and the convention. The Primary Committee paid two firms, Greenberg-Lake and Opinion Research Calling, for work in connection with these polls. Four of the polls were identified on invoices as 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. The invoices from Greenberg-Lake that could be associated with these polls totaled \$108,621, including \$37,500 in consulting and \$12,733 in travel, and are treated as general election expenses. Opinion Research Calling received \$93,904.

In response to the Audit staff presentation in the exit conference, the Primary Committee argued 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 Primary Committee also submitted a memorandum from the Executive Director of Greenberg Research Inc.

(formerly Greenberg-Lake, 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 General 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. It should be noted that one of the types of pre-expenditure report period expenditures 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 General Committee states that polls were used to monitor and maintain delegate support, but failed to provide evidence or documentation which establishes how this was accomplished.

In the Interim Audit Report, the Commission requested the General 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 General 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 General Committee was also to provide information on any use of the polling results by the General Committee or the Compliance Fund.

The General Committee did not provide the specific information requested above, but in response to the Interim Audit Report, the General Committee did submit an affidavit from Donita Buffalo Hicks, Managing Director of Greenberg Research, 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 General Committee concludes that the pre-Convention period was critical for consolidating the candidate's support and demonstrating his electability. The

9597019470



acknowledge that poll results decrease in value over a short period of time. According to the General 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 General 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 General 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 General Committee also contends that the conclusion in the Interim Audit Report is at odds with past Commission decisions. Specifically, the General 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, that report does not deal with the content of the polls. Although the General 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 General 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 were for campaign appearances before the convention which are not covered by 11 CFR §9003.4(a)(1) and therefore are not relevant. The remaining cases referenced by the General 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 General Committee also disagreed that \$5,985 assigned to the cost of these polls is accurate. The General Committee did not provide any documentation on the cost of each poll as requested in the Interim Audit Report. An attachment to the General Committee's narrative response provides no specific information. No adjustments have been made absent the requested information. The Audit staff concluded that the General 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.

c. General Election Media Expenses

Both the Primary 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 his acceptance speech, 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 Primary Committee records, the total cost of producing the film was \$191,273 with the Primary Committee paying \$161,273 and the 1992 Democratic National Convention Committee, Inc. ("DNCC") paying \$30,000. A revised version of this film was aired by the Democratic National Committee during the week of August 16-20, 1992. The cost of that broadcast was considered a coordinated party expenditure pursuant to 2 U.S.C. §441a(d)(2). A revised version was also aired by the General Committee during the period 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 general election expenses. This transaction has the effect of increasing expenditures subject to the overall limitation.

The General Committee's response to the Interim Audit Report makes a number of arguments concerning the convention film. First, the General 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 Primary Committee. That is incorrect. The referenced report noted only that the amount paid was considered an impermissible use of public funds and that the Primary Committee had paid the remaining charges related to the film. As the General 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 Primary 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 General Committee also argues that the expense meets the definition of a qualified campaign expense for the Primary Committee. In this regard the General Committee's

95970194703

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 General 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 General 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 General Committee is correct concerning 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 General Committee states that in the past the Audit Staff has not challenged such expenses. Again the General Committee is correct. If similar films have been produced by primary committees they have not been identified during the course of the audits. The General 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. It is however a proper general election expense.

Finally, the General Committee disagrees with the determination of the Candidate's date of ineligibility for the primary matching funds. 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 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 Primary 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 General 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 General 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 General 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 General 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 general election media expenses were paid by the Primary Committee. An invoice dated July 20, 1992 for \$6,109 for work relating to focus groups was identified. One of two versions of the invoice notes 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 in the amount of \$18,900 is one of a number billed to the Primary 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 general election expense.

Finally, the Primary Committee paid an invoice dated August 20, 1992, which noted it was for a "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 General 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 General 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 General Committee's explanation is accepted.

The General Committee provided an affidavit from Anne Marie 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. Ms. Hannon 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 General Committee does not address the remaining two charges.

The Audit staff concluded that the total amount of media expenses paid by the Primary Committee is \$190,478.

d. Miscellaneous General Expenses

A number of other expenses were noted that are considered to be general election expenses paid by the Primary Committee. Each is discussed briefly below:

- ° The Primary Committee purchased 150,000 copies of the book Putting People First. The total cost was \$110,286 based on invoices dated July 6 and 10, 1992. The Primary Committee 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 Primary 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

95770194736

\$76,320. Therefore an additional \$60,420 is due from the General Committee.

In response to presentation of this matter at the exit conference, the Primary Committee stated that it does not agree that there is a receivable from the General Committee. The Primary Committee stated that the majority of the publications were used during the primary and the Democratic National Convention. They also stated, that the value of the publications was 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 was 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 Primary Committee.

In response to the Interim Audit Report the General Committee states that "[b]ased on the best information available to the General 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 General Committee also objects to referring to these pamphlets as books. The General 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 Primary 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 Primary 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 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 Primary 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 General Committee could supply an affidavit from the Primary 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 Primary 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 Primary Committee paid \$10,003 of this amount. This is considered a general election expense.

In response to the Interim Audit Report, the General Committee agrees that it 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 Primary Committee was \$7,687. That amount was refunded to the Primary Committee on June 10, 1994. Neither committee explained how this amount was arrived at. Absent additional information, the entire \$10,003 is considered a general election expense.

- ° The Primary Committee chartered aircraft from Air Advantage. Payments via wire transfers were made in advance and charges were applied as incurred. At the end of the primary election period (7/15/92) a credit balance existed that was applied by Air Advantage to general election charges. The Primary Committee performed a reconciliation and determined that \$27,222 was due from the General Committee. In addition, the Primary Committee had paid \$17,000 for a reconfiguration of the aircraft, bringing the total amount due from the General Committee, per the Primary Committee's reconciliation, to \$44,222. Subsequently, the Primary 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 General Committee agrees that the \$2,000 and the \$27,222 were erroneously paid by the Primary Committee, and notes that the amounts were reimbursed on January 11 and March 24, 1994. However, it still disagrees with the \$15,000

95970194/188

reconfiguration charge. Since the reconfiguration costs were incurred on July 10, 1992 and the airplane was used in the primary, in the General Committee's opinion, the entire cost 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.

- ° The Primary Committee made other payments to various vendors that appear to be related to 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 Committee and the General Committee for the month of July, 1992. The total amount is \$20,066.

In response to the Interim Audit Report, the General Committee noted that refunds totaling \$14,420 were made on January 11 and March 24, 1994 to the Primary Committee and it was planning to refund the remaining \$5,646.

In the Interim Audit Report, the amount owed to the Primary Committee from the General Committee was \$879,361. Prior to the Commission meeting of December 15, 1994, this amount had been revised, based on the General Committee's response, to \$874,411. Of this amount, \$51,329 has been refunded by the General Committee as of June 30, 1994. These refunds leave an outstanding balance of \$823,082 due to the Primary Committee.

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 considered 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 at Attachment #5. As of June 30, 1994, these refunds leave an outstanding balance of \$398,480 due the Primary Committee. This amount is included in the figure for accounts payable due from the Primary Committee on the General Committee's NOQCE Statement at Attachment #6.

### 3. Executive Jet Management

An internal Primary Committee memorandum dated June 2, 1993 noted an overpayment to this vendor. The vendor sent a refund check to the General Committee which included \$4,778 which was properly due to the Primary Committee. The Audit staff's review indicated this was a payable due the Primary Committee by the General Committee. This amount (\$4,778) was included as an offset to expenditures by the General Committee and therefore reduced expenditures subject to the spending limit. Thus, \$4,778 had been added to our analysis of expenditures subject to the spending limitation.

959/0194712

In response to the Interim Audit Report, the General Committee agreed that this item should have been refunded to the Primary Committee and that it should not have been an offset to the General Committee's expenditures. The amount will be transferred according to the General Committee's response.

4. Alamo Rent A Car National Contract

In an internal memorandum dated May 18, 1993, the Primary Committee noted that based upon its analysis a total of \$43,420 should be transferred from the General Committee to the Primary Committee. The amount represented an overpayment by the Primary Committee credited by the vendor to the General Committee. Accordingly, this amount (\$43,420) was not reported as a disbursement by the General Committee and thus was not included in expenditures subject to the spending limitation. Therefore, the Audit staff has included this amount in its analysis of expenditures subject to the spending limitation.

In response to the Interim Audit Report, the General Committee agreed that this item should have been treated as an expenditure subject to the spending limitation. The Primary Committee has been reimbursed.

5. Sprint & C&P Telephone

During fieldwork, the Audit staff identified overpayments to Sprint. The overpayments, which appear to have resulted mostly from bills having been paid twice, were made by both the Primary Committee and the General Committee.

Documentation provided by the General Committee indicated that refunds were received which included amounts overpaid by both committees. The documentation noted that refunded amounts totaling \$19,198 were moneys due the Primary Committee. This amount was included as an offset to expenditures to the General Committee and therefore reduced expenditures subject to the spending limit.

In response to an exit conference presentation, the Primary Committee submitted documentation relative to C&P Telephone which indicated that the Primary Committee made overpayments of \$3,606 which were credited to the General Committee's account. As such, this amount was not reported as a disbursement and thus was not included in expenditures subject to the spending limit.

Therefore, the General Committee owed the Primary Committee a total of \$22,804 (\$19,198 + \$3,606) relative to these two vendors which the Audit staff had included in its analysis of expenditures subject to the overall spending limitation.

In response to the Interim Audit Report, the General Committee agreed that these amounts were General Committee expenditures subject to the spending limitation. These amounts have been reimbursed to the Primary Committee.

6. Adjustment for Duplicate Payments to be Refunded

In the Interim Audit Report, the Audit staff made an adjustment for duplicate payments recovered from vendors and those yet to be resolved totaling \$21,614 (see Finding III.B.1. above). In response to the Interim Audit Report, the General Committee stated this should be adjusted based on its response to Finding III.B.1. Based upon that response, the Audit staff has determined that duplicate payments in the amount of \$8,329 remain unresolved (see Attachment 2). Based on the General Committee's response, the Audit staff's adjustment, as noted above (\$21,614), remains unchanged.

7. Adjustment for Apparent Non-Qualified Campaign Expenses

In the Interim Audit Report, the Audit staff had made an adjustment for non-qualified campaign expenses totaling \$87,077 (see Finding III.B.2., above).

Based on the General Committee's response to the Interim Audit Report, Finding III.B.2., the Audit staff has revised our adjustment for apparent non-qualified campaign expenses to \$70,296 (see Attachment 3).

8. Adjustment for Accounts Payable reported as Outstanding at June 30, 1993

In the Interim Audit Report, an accounts payable total of \$549,770 was added to operating expenditures. This amount represented accounts payable reported by the General Committee as outstanding on June 30, 1993. The General Committee provided a listing of these accounts payable to support the reported figure.

Included in the listing was a debt owed to the Primary Committee in the amount of \$78,541. However, no documentation or explanation was provided detailing the nature of the debt. The Audit staff was concerned that this debt (\$78,541) may duplicate amounts owed to the Primary Committee which we had identified above (Findings III.C.2., 3., 4., and 5.); and, would result in an overstatement of expenditures subject to the overall spending limitation. The Interim Audit Report noted that should additional documentation indicate an overstatement, the amount subject to the spending limitation would be adjusted accordingly.

The General Committee's response to the Interim Audit Report states that the payable to the Primary Committee,

95070194

included in the Audit staff's adjustment for accounts payable duplicates the specific adjustments to expenditures subject to the spending limitation detailed at Findings III.C.2., 3., 4., and 5. by the amount of \$77,942. However, the General Committee's response fails to provide any documentation detailing those items composing the \$77,942.

The Audit staff has revised the adjustment for Accounts Payable based on disclosure reports filed by the General Committee. The General Committee reported accounts payable at June 30, 1994, of \$165,536, which included a payable to the Primary Committee in the amount of \$13,244. Due to the absence of documentation noted above, this payable to the Primary Committee (\$13,244) could still duplicate amounts also detailed at Finding III.C.2..

9. Amount owed to DSCC WIN '92 by the General Committee

Based on documentation submitted by the General Committee subsequent to the exit conference, a refund received from SNET included funds paid by DSCC Win '92 "for additional service for the coordinated campaign." The General Committee stated it would "refund the appropriate share to the DSCC" (\$1,239). This amount was reported by the General Committee as an offset to expenditures which reduced expenditures subject to the spending limit. Thus, the Audit staff included \$1,239 on its analysis as an increase to expenditures subject to the spending limitation.

The Interim Audit Report recommended that the General Committee demonstrate that this item should not be included in the calculation of expenditures subject to the spending limitation. The General Committee's response to that report states that it agrees that this item should not be included as an offset to expenditures subject to the spending limitation. General Committee disclosure reports indicate this amount has been refunded.

10. Adjustment for Capital Assets

Based on the Audit staff's review of the available documentation, the cost of computers and related equipment transferred from the Primary Committee to the General Committee was determined to be \$540,313 (see Finding III.C.2.a.). Based upon 11 CFR §9003.3(a)(2)(ii), the Audit staff then allocated 70% of the cost of these assets as compliance related; the remaining 30%, or \$162,094 (\$540,313 x 30%) were considered capital assets of the General Committee. Adjusting for depreciation, the value of the General Committee's capital assets was determined to be \$97,256 (\$162,094 x .60).

950 / 0194 / 02

This adjustment recognizes that the sale of assets would result in a partial recoupment of expenditures made to procure these assets.

The General Committee's response to the Interim Audit Report did not alter the Audit staff's position, as such no adjustment to this figure was made in the report as presented for Commission consideration.

As a result of the Commission's deliberations as discussed above in Finding III.C.2.a., the Audit staff determined the cost of the assets transferred to the General Committee to be \$327,559. Adjusting for that portion of the assets allocable to the Compliance Fund (70%) and for depreciation (40%), the value of capital assets for the General Committee was calculated to be \$58,961 ( $\$327,559 \times 30\% \times 60\%$ ).

11. Expenditures That May be Reimbursed to the General Committee from the Compliance Fund

The Audit staff utilized the General Committee's disbursement database to identify, at the time of the Interim Audit Report, \$1,829,239 in compliance-related expenditures made by the General Committee through December 4, 1992 (the end of the expenditure report period). In addition, a 100% review of disbursements made by the General Committee from December 5, 1992 through June 30, 1993 identified an additional \$900,414 in compliance-related expenditures. The Audit staff's review of disclosure reports filed by the General Committee, which covered the period July 1, 1993 through June 30, 1994, identified compliance-related expenditures totaling \$645,643. Based upon the above, expenditures totaling \$3,375,296 ( $\$1,829,239 + \$900,414 + \$645,643$ ) could have been paid by the Compliance Fund.

After adjusting for \$2,595,000 transferred from the Compliance Fund through June 30, 1994, there remains \$780,296 ( $\$3,375,296 - \$2,595,000$ ) that may be reimbursed.

The General Committee's response states that it agrees that additional funds may be reimbursed to the General Committee by the Compliance Fund, but disagrees with the auditors' numbers as to the amount necessary to remain within the limits.

Shown below is a presentation of the Audit staff's analysis of expenditures subject to the limitation updated based upon the General Committee's response and disclosure reports filed through June 30, 1994:

0.5 2 / 0 1 9 4 / 0.3

CLINTON/GORE '92 COMMITTEE  
Expenditures Subject to the Spending Limitation  
as Determined by the Audit Staff at 6/30/94

1. Reportable Disbursements from  
Inception through June 30, 1994 \$64,920,993 10/

Adjustments to Reportable Disbursements

2. Less: Loan Repayment (\$125,000)

3. Less: Offsets to Operating Expenditures (\$7,012,115)

4. Less: Accounts Receivable Due  
at 6/30/94 11/ \$181,812

5. Less: Refunds from the Compliance Fund (\$2,595,000)

6. Less: Amount Receivable from the  
Primary Committee (see Finding III.C.1.) (\$43,726)

7. Add: ~~Amount due to the Primary Committee~~  
(see Finding III.C.2. and 3.) \$403,258

8. Less: Duplicate Payments (see Finding III.C.6.) (\$21,614)

9. Less: Non-Qualified Campaign Expenses Subject  
to Repayment (see Finding III.C.7.) (\$70,295)

10/ This figure does not include Worldwide commissions and credit card charges netted from amounts forwarded to the General Committee. Such an adjustment would also require an adjustment to offsets received by the General Committee, resulting in offsetting adjustments and no change in the final amount of expenditures subject to the spending limitation.

11/ It should be noted that this figure does not include about \$190,000 in media refunds that were under review by the General Committee's media vendor to determine if the money is due the General Committee or DNC as a result of 441a(d) expenditures. The General Committee has recently submitted additional documentation. After the Audit staff has reviewed the documentation, this figure will be adjusted accordingly. In addition, the Audit staff has made an allowance for uncollectible reimbursements due from the Secret Service totaling \$108,982. This figure also excludes the accounts receivable due from the Primary Committee (\$43,726) noted in item 6. below.

9597019474

10. Add: Reported Accounts Payable at 6-30-94 (see Finding III.C.8.)	\$165,536
11. Add: Amount due DSCC Win '92 from The General Committee (see Finding III.C.9.)	\$ -0-
12. Less: Adjustment for Capital Assets (see Finding III.C.10.)	(\$58,961)
13. Add: Donated Equipment (see Finding III.A.1.)	\$ -0-
14. Add: Payments Not Made by the General Committee (see Finding III.A.2.)	\$ -0-
15. Add: Deposits Credited to General Committee Bills (see Finding III.A.3.)	\$1,000
16. Add: Amended Contracts (see Finding III.A.4.)	\$111,100
17. Add: Repayable Income Earned (see Finding III.D.)	\$6,646
18. Add: <del>Income Earned Credited to</del> Vendor Invoices (see Finding III.D.)	<u>\$7,830</u>
Adjusted Expenditures Subject to the Spending Limitation	\$55,507,840
Less: Limitation (2 U.S.C. §441a(b)(1)(B))	<u>(\$55,240,000)</u>
Amount Over/(Under) the Limit	\$267,840
Less: Expenditures that may be Reimbursed By the Compliance Fund - Total Available \$780,296 (see Finding III.C.11.)	(\$267,840)
Amount in Excess of the Spending Limitation	\$ -0-

Based on the above analysis, it appears that the General Committee has exceeded the limitation at 2 U.S.C. §441a(b)(1)(B) in the amount of \$267,840. However, it is recognized that reimbursements permitted from the Compliance Fund as noted above would eliminate any excessive amount and resulting repayment.

The Interim Audit Report recommended that the General Committee provide evidence that the expenditure limitation has not been exceeded. Absent such evidence, the Audit staff recommended that, based on the information available at that time,

the Compliance Fund transfer to the General Committee \$706,499 for expenditures that may be paid by the Compliance Fund in order to reduce General Committee expenditures subject to the expenditure limitation and provide evidence of such transfer. The evidence was to include a copy of the front and back of the negotiated check or a copy of the debit and credit memos.

The General Committee's response to the interim audit report addressed each of the areas noted above and is detailed within each of the sub-sections discussed above.

Based upon our analysis of the General Committee's response, disclosure reports filed and transfers from the Compliance Fund received to date, the Audit staff recommended in the report considered by the Commission that the Compliance Fund transfer an additional \$654,146 for expenditures that may be paid by the Compliance Fund, in order to reduce General Committee expenditures subject to the expenditure limitation, and provide evidence of such transfer. The evidence was to include a copy of the front and back of the negotiated check or a copy of the debit and credit memos.

As a result of the above noted revisions, arising from the Commission's deliberations on December 15, 1994, the ~~Audit staff recommends that the Compliance Fund transfer an additional \$267,840 for expenditures that may be paid by the Compliance Fund, to reduce General Committee expenditures subject to the expenditure limitation and provide evidence of such transfer.~~

D. Income Earned by the General Committee

Section 9004.5 of Title 11 of the Code of Federal Regulations states, in relevant part, that the investment of public funds or any other use of public funds to generate income is permissible, provided that an amount equal to all net income derived from such investments, less Federal, State and local taxes paid on such income, shall be repaid to the Secretary.

Section 9007.2(b)(4) of Title 11 of the Code of Federal Regulations states that if the Commission determines that a candidate received any income as a result of the investment or other use of payments from the Fund pursuant to 11 CFR §9004.5, it shall so notify the candidate and such candidate shall pay to the United States Treasury an amount equal to the amount determined to be income, less any Federal, State, or local taxes on such income.

The media vendor utilized by the General Committee maintained an interest bearing escrow account on behalf of the General Committee. The account was opened on August 14, 1992 and through April 30, 1993, the General Committee had earned interest totaling \$6,613. As of May 22, 1993, \$5,448 of the interest earned by this account was applied by the vendor against the General Committee's media buys.

9597019476

In addition, the Audit staff identified \$1,217 in interest credited to a General Committee phone bill from Southwestern Bell. The interest was earned on a deposit held by the phone company. Thus, the General Committee earned a total of \$7,830 (\$6,613 + \$1,217) in interest. It should be noted that the Audit staff has adjusted our analysis of Expenditures Subject to the Spending Limitation by \$7,830. This amount (\$7,830) represents interest totaling \$6,665 (\$5,448 + \$1,217) which was applied by the vendors against amounts owed by the General Committee; and \$1,165 in interest which, absent evidence to the contrary, the Audit staff presumes was also applied by the media vendor against amounts owed.

With respect to our review of this matter, the Audit staff was unaware of any taxes paid relative to this income. Therefore, it appeared that a payment to the U.S. Treasury in the amount of \$7,830 was warranted. In addition, the Audit staff had requested statements for the media escrow account subsequent to April 30, 1993, in order to determine any additional interest earned by the General Committee.

The Interim Audit Report recommended that the General Committee provide documentation, to include but not be limited to bank statements, that demonstrated the amount of interest earned by the General Committee subsequent to April 30, 1993. Further, it was requested that if any Federal and/or State income tax had been paid on this income, the General Committee should submit copies of the relevant tax returns. The Interim Audit Report also noted that absent a demonstration that the interest should not be considered income and that taxes had been paid, the Audit staff would recommend the Commission make an initial determination that \$7,830 was payable to the United States Treasury.

In response the General Committee provided a copy of its tax return for the fiscal year ended June 30, 1993. This return indicated \$3,529 in interest income with taxes due of \$1,184. The General Committee stated that "the Committee agrees that the amount of interest earned net of taxes paid is owed to the U.S. Treasury."

Although the General Committee states that the interest earned net of taxes is due the U.S. Treasury, no documentation was provided to demonstrate the amount of interest earned since April 30, 1993. In addition, there is no mention of the discrepancy between the \$7,830 identified by the Audit staff and the \$3,529 in interest reported on the tax return. Although the total interest earned by the General Committee is not known at this time,<sup>12/</sup> it

<sup>12/</sup> The Committee's response did not include bank statements for the media escrow account subsequent to April 30, 1993, which could show additional interest earned that would increase the amount payable to the U.S. Treasury.

950/019477

appears that a payment of at least \$6,646 (\$7,830 - \$1,184) to the U.S. Treasury is warranted.

Recommendation #4

The Audit staff recommends that the Commission make an initial determination that \$6,646 is payable to the United States Treasury pursuant to 2 U.S.C. §9004.5.

E. Stale-Dated Checks

Section 9007.6 of Title 11 of the Code of Federal Regulations states that if the committee has checks outstanding to creditors or contributors that have not been cashed, the committee shall notify the Commission. The committee shall inform the Commission of its efforts to locate the payees, if such efforts have been necessary, and its efforts to encourage the payees to cash the outstanding checks. The committee shall also submit a check for the total amount of such outstanding checks, payable to the United States Treasury.

The Audit staff performed bank reconciliations through June 30, 1993 for both the General Committee and the Compliance Fund. The Audit staff identified stale-dated checks relative to the General Committee totaling \$73,668 and stale-dated checks with respect to the Compliance Fund totaling \$3,631.

At the exit conference, representatives for both committees were provided with photocopies of workpapers detailing the above noted stale-dated checks.

As part of the documentation submitted in response to the exit conference, the General Committee provided a list of the stale-dated checks annotated with the action taken with respect to each item; such as, a replacement check was issued or that the check had been voided. However, no documentation other than bank statements supporting these actions was provided. Based on the bank statements provided, the Audit staff was able to determine that \$11,139 in stale-dated checks have either cleared the bank or been replaced by checks which have cleared the bank. Therefore, at the time of the Interim Audit Report, \$62,529 (\$73,668 - \$11,139) in stale-dated checks remained unresolved for the General Committee.

The Interim Audit Report recommended that the General Committee and the Compliance Fund provide evidence that:

- ° the checks were not outstanding (i.e., copies of the front and back of the negotiated checks and bank statements); or
- ° the outstanding checks are void (copies of the voided checks with evidence that no obligation exists, or copies of negotiated replacement checks); or

95070124753

- ° inform the Commission of the committees' attempts to locate the payees to encourage them to cash the outstanding checks or provide evidence documenting the committees' efforts to resolve these items.

Absent such information, it was stated that the Audit staff would recommend that the Commission make an initial determination that stale-dated checks totaling \$66,160 (\$62,529 + \$3,631) are payable to the United States Treasury.

In its response to the Interim Audit Report, the General Committee states that of the \$73,668 in stale-dated checks only \$18,824 remain unresolved. The response states that inquiries have been sent to the recipients and the Audit staff will be apprised as additional information is received. The response further states that a listing of additional checks that were reissued (\$27,183), cleared (\$1,604), and voided (\$26,057), with accompanying documentation are included. The response did not address stale-dated checks totaling \$3,631 issued by the Compliance Fund.

Based on a review of the documentation submitted to date, the Audit staff has determined that stale-dated checks, totaling \$18,674, for which the General Committee mailed inquiries, are unresolved. In addition, for those stale-dated checks listed by the General Committee as having been voided (\$26,057), copies of the voided checks with evidence that no obligation exists were not provided as recommended and, therefore, the Audit staff considers these items unresolved. The Audit staff also notes that, of those stale-dated checks reissued by the General Committee, copies of negotiated replacement checks (or copies of the check and appropriate bank statements) were not provided for checks totaling \$8,560. For one stale-dated check (\$253), the General Committee did not provide a bank statement evidencing the item had been negotiated. As a result of this analysis, the Audit staff has determined that stale-dated checks totaling \$53,544 (\$18,674 + \$26,057 + \$8,560 + \$253) are unresolved with respect to the General Committee.

Therefore, the Audit staff reduced the amount of unresolved stale-dated checks to \$57,175 (\$53,544 + \$3,631). See Attachments 7 and 8, respectively.

#### Recommendation #5

The Audit staff recommends that the Commission make an initial determination that the Committees are required to make a payment of \$57,175 to the United States Treasury pursuant to 11 CFR §9007.6.

IV. Recap of Amounts Due to the United States Treasury

Reflected below are the amounts due the United States Treasury as noted in this report:

Finding III.A., Apparent Prohibited Contributions	\$ 112,180
Finding III.B., Non-Qualified Campaign Expenses	
1. Apparent Duplicate Payments	\$ 8,329
2. Non-campaign Related Activity	\$ 70,296
Finding III.D., Income Earned	\$ 6,646
Finding III.E., Stale-Dated Checks	\$ <u>57,175</u>
Total Amount Repayable	\$ <u>254,546</u>

95970194

95070194771

Job 111111  
INSP Post Information  
11111  
1111111111  
MAY 11 11111

# Clinton TEAM

112 WEST 3RD STREET, LITTLE ROCK, ARKANSAS 72201

POST OFFICE  
US POSTAGE  
PAID  
CLINTON, AR

7

Mr. Sample A. Sample  
1234 Any Street  
Anytown, US 00000-0000

POSTAGE WILL BE PAID BY ADDRESSEE

950/0194/12

First Class



96  
96  
96

Bill Clinton  
CLINTON/GORE COMPLIANCE FUND  
Dept 3224  
P O. Box 8802  
Little Rock, AR 72231-8802



POSTAGE 81 3 = 108

Number 99430

Dear Loyal Friend,

The attached official Pre-Convention Clinton Team lapel pin has been sent to you in recognition of your steadfast commitment to our cause.



It is a collectible limited edition and is only available to those dedicated individuals who contributed to my pre-convention campaign.

I will never forget your generosity and special friendship.

*Ric Clinton*

Address and Post to be the Order by Previous Customer

95970194113



RAPID RESPONSE ACTION MEMO

Bill Clinton  
Clinton/Gore Compliance Fund  
111 West 3rd Street  
P.O. Box 8800  
Little Rock, AR 72231

From: Mr. Sample A. Sample  
123 Any Street  
Anytown, US 00000-0000

95070194774

Yes, Bill, we must be fully prepared

I agree George Bush and Dan Quayle have nothing to run on and, because of this, we can expect more "The Horton" style attacks this year—and much worse.

I have rushed my personal check made out to the special CLINTON/GORE COMPLIANCE FUND in the amount of

\$25     \$50     \$100     \$250     Other \$ \_\_\_\_\_

Please make personal check out to CLINTON/GORE COMPLIANCE FUND and return with this Action Memo in the enclosed envelope. Thank you.

12345678--318600010000X

Please See Cover Sheet

050 / 0194 / 15

The Federal Election Commission requires the following information:

Name \_\_\_\_\_  
Home Address \_\_\_\_\_  
Occupation \_\_\_\_\_ Employer \_\_\_\_\_

Please make your personal check out to the Clinton/Gore Compliance Fund. Corporate contributions are prohibited by law. Political contributions are not tax deductible.

\_\_\_\_\_  
Contributed to the Clinton-Gore Compliance Fund

DECLASSIFICATION

August 21, 1991  
7:15 AM

Mr. Sample A. Sample  
14 AM Street  
New York, NY 00000-0000

Dear Mr. Sample

I'm pleased to present you with your limited edition, individually numbered Pre-Convention Team label pin.

And though it can't possibly measure up to the debt of thanks I owe you, your pin represents two very important things.

First, it recognizes you for standing with me early and investing your faith in our common cause and values. Believe me when I tell you, the power of your conviction strengthened and helped sustain my own faith and beliefs in the face of sometimes great adversity these past months.

And second, it's given in recognition of the generous financial support you provided my pre-convention campaign. Contributions like yours infused our effort with the critical resources we needed to campaign hard through June and early July. You made it possible for me to communicate our message of change right up to the moment Al Gore and I joined hands in New York City and officially launched our general election campaign. And what a launch it was!

There's no doubt in my mind, we would not have achieved the successes we have, without the commitment and early support of Pre-Convention Team members like you.

We would not have retired our pre-convention campaign debt. We would not be this far ahead in the public opinion polls. And Ross Perot's backers would not be coming our way in droves the way they have in recent days.

But we can't rest easy on the gains we've made. You know how volatile elections are these days and you know exactly what kind of base, gutter tactics we can expect from our opposition -- especially now, when they're running scared.

You played a pivotal role in our pre-convention campaign. Now, I'm asking you to make an even bigger contribution as we move forward.

This year we simply can't afford to allow George Bush and his cynical crew of negative campaign experts to get in our way. Too much is at stake. Too much needs to be done to repair the damage the Bush Presidency has inflicted on this country.

And all indications suggest we can expect the worst from them and then some. George Bush has no record to run on and no plan for America's future. The low road is the only road he can take.

(Next page please)

9597019476

Mr. Sample A. Sample  
August 21, 1992  
Page two

He can't defend rolling up the biggest budget deficits and national debt in American history...or breaking his promise on taxes...or immersing himself in world affairs while Americans lost jobs and their hope for the future here at home.

Our recent Democratic Presidential Nominees learned the lessons of "Billie Horton" and the Republican attack apparatus the hard way. Well, it can't happen this time around -- not if you'll help me now.

That's why I'm asking you and all your fellow Pre-Convention Team members to assist the campaign in developing a high-tech rapid response and counter-tactical operations capability. And one of the keys to this critical campaign initiative is fully funding the CLINTON/GORE COMPLIANCE FUND. That's where we need your help the most.

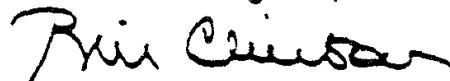
Your donation will help pay for skilled election lawyers to defend against the nuisance tactics, bogus legal challenges, and baseless allegations we've come to expect from the other side. And they'll need the computer power necessary to put huge volumes of key information at their fingertips to fight back with the facts, fast, before any damage is done.

~~But we must act quickly. We must be ready soon because we know Bush, Quayle, and the rest of them will be coming out of their convention on the attack.~~

Just remember, George Bush has stated he'll "do whatever it takes to win." And, I think, this is one time when we can take him at his word.

Please act today and give as generously as you can. We have no time to lose if we're truly serious about winning on the third of November.

Warmest Regards,



Bill Clinton

P.S. In addition to its keepsake value, your Pre-Convention Team lapel pin and individual pin number will serve as a special credential and security pass to a -- members only -- inaugural victory celebration next January in Washington.

But before we celebrate, we must win! And so, Mr. Sample, help us shut down the Republican "attack apparatus" by supporting our rapid response capability. Please, fill out the enclosed Action Memo and mail it back with your generous contribution to the CLINTON/GORE COMPLIANCE FUND. Thanks!

9507019477

**CLINTON**  
**TEAM**  
1000 WEST STREET  
KANSAS CITY, MISSOURI 64105

95070194778

**CLINTON PRE-CONVENTION TEAM**

**ENCLOSED: Official 1992  
Nomination Acceptance Photograph**

1000 WEST STREET  
KANSAS CITY, MISSOURI 64105  
1000 WEST STREET  
KANSAS CITY, MISSOURI 64105

**ATTENTION POSTMASTER:  
PLEASE DO NOT BEND.**

CLINTON PRE-CONVENTION TEAM  
1000 WEST STREET  
KANSAS CITY, MISSOURI 64105

959 / 0196 / 12

Please  
Place  
STAMP  
Here



First Class

Roll Clinton  
CLINTON/CORE COMPLIANCE FUND  
Dept. 3106  
P.O. Box 8802  
Little Rock, AR 72231-8802





**RAPID RESPONSE ACTION MEMO**

Bill Clinton  
Clinton Gore Compliance Fund  
112 West 3rd Street  
P.O. Box 8802  
Little Rock, AR 72231

From: Mr. Sample A. Sample  
123 Any Street  
Anytown, US 00000-0000

0507019370

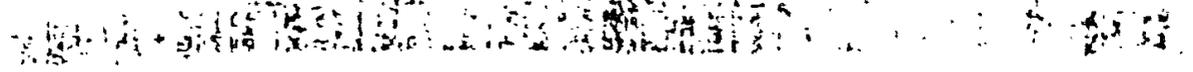
**Yes, Bill,** we must be fully prepared

I agree George Bush and Dan Quayle have nothing to run on and, because of this, we can expect more "Anne Horton" style attacks this year—and much worse.

I have rushed my personal check made out to the special CLINTON/GORE COMPLIANCE FUND in the amount of

\$25     \$50     \$100     \$250     Other \$ \_\_\_\_\_

Please make personal check out to CLINTON/GORE COMPLIANCE FUND and return with this Action Memo in the enclosed envelope. Thank you.



12345678--318600020000X



Please See Over Side

959/01947:1

The Federal Election Commission requires the following information:

Name \_\_\_\_\_  
Home Address \_\_\_\_\_  
Occupation \_\_\_\_\_ Employer \_\_\_\_\_

Please make your personal check out to the Clinton/Gore Compliance Fund. Corporate contributions are prohibited by law. Political contributions are not tax deductible.

Amounts due must be to the Clinton/Gore Compliance Fund

Bill Clinton

August 18, 1992

Mr. Sample A. Sample  
123 Any Street  
Anytown, US 00000-0000

Dear Mr. Sample:

I hope you'll find a very prominent place in your home to display your Pre-Convention Team Official Nomination Acceptance Photograph. Someplace where all your family, friends, and neighbors can see it.

Everyone you know should recognize, just as I do, the critical role you've played in our campaign.

We literally wouldn't be where we are today without the support and financial backing that you and your fellow Pre-Convention Team members have given us.

Contributions like yours to my pre-convention campaign infused our effort with the critical resources we needed to campaign hard through June and early July. You made it possible for me to communicate our message of change right up to the moment Al Gore and I joined hands in New York City and officially launched our general election campaign. And what a launch it was!

There's no doubt in my mind, we would not have achieved the successes we have without the commitment and early support of Pre-Convention Team members like you.

We would not have retired our pre-convention campaign debt. We would not be this far ahead in the public opinion polls. And Ross Perot's backers would not be coming our way in droves the way they have in recent days.

But our work is far from over. There are less than 100 days to go, and though we're making great progress and our momentum is building, it's no time to let up. You know how volatile elections are these days and you know exactly what kind of base, gutter tactics we can expect from our opposition -- especially now, when they're running scared.

You played a pivotal role in our pre-convention campaign. Now, I'm asking you to make an even bigger contribution as we move forward.

We simply can't afford to allow George Bush and his cynical crew of negative campaign experts to get in our way. Too much is at stake. Too much needs to be done to repair the damage the Bush presidency has inflicted on this country.

And all indications suggest we can expect the worst from them and then some. George Bush has no record to run on and no plan for America's future. The low road is the only road he can take.



(Next page please)

25970194732

ATTACHMENT 3  
Page 91 of 108

Mr. Sample A. Sample  
August 28, 1992

Page two

He can't defend rolling up the biggest budget deficits and national debt in American history...or breaking his promise on taxes...or immersing himself in world affairs while Americans lost jobs and their hope for the future here at home.

Our recent Democratic Presidential Nominees learned the lessons of "Willie Horton" and the Republican attack apparatus the hard way. Well, it won't happen this time around not if you'll help me now.

That's why I'm asking you and all your fellow Pre-Convention Team members to assist our campaign in developing a high-tech, rapid response and counter-tactical operations capability. And one of the keys to this critical campaign initiative is fully funding the CLINTON/GORE COMPLIANCE FUND. That's where we need your help the most.

Your donation will help pay for skilled election lawyers to defend against the nuisance tactics, bogus legal challenges, and baseless allegations we've come to expect from the other side. And they'll need the computer power necessary to put huge volumes of key information at their fingertips, so that we can fight back with the facts, fast, before any damage is done.

But we must act quickly, because we know Bush, Quayle, and the rest of them will be coming out of their convention on the attack.

Just remember, George Bush has stated he'll "do whatever it takes to win." And I think this is one time when we can take him at his word.

Please act today, and give as generously as you can. We have no time to lose if we're truly serious about winning on the third of November.

Warmest Regards,



Bill Clinton

P.S. If recent history has taught us anything, it's that we must be prepared for our opposition's unscrupulous tactics.

And so, Mr. Sample, help us shut down the Republican "attack apparatus" by supporting our rapid response capability. Please fill out the enclosed Action Memo and mail it back with your generous contribution to the CLINTON/GORE COMPLIANCE FUND. Thanks!

9597019413

950701947.4



Madison Square Garden - July 16, 1992

*Sample A. Sample,  
Standing up there, Al and I were thinking of you and all your fellow Team members.  
We couldn't have done it without you.  
Warm regards,*

MANAGEMENT  
93 02-128

ATTACHMENT 82

Clinton/Gore '92 General Committee  
Schedule of Unresolved Duplicate Payments

Payee	Invoice Number	Invoice Date	Duplicate Amount	Check		Check	
				Number	Date	Number	Date
Southwestern Bell	0427165	08/10/92	591.86	2900	09/04/92	9450	11/15/92
Telecom	0424619	07/27/92	529.61	1314	08/09/92	9450	11/15/92
(D 16/11)	0424633	07/27/92	93.90	1313	08/09/92	9450	11/15/92
	0424635	07/27/92	280.63	1481	08/11/92	9450	11/15/92
Southwestern Bell	0816-01-9160	10/01/92	378.98	8541	10/11/92	9854	11/10/92
(D 7/21)	0816-254-2945	09/13/92	353.87	7376	10/21/92	10926	02/25/93
	0501-722-1992	07/20/91	4,028.63	10922	02/25/93	12171	04/26/93
	0816-723-6715	10/25/92	885.50	10922	02/25/93	12335	06/22/93
	0816-025-0780	09/25/92	545.42	7376	10/21/92	12335	06/22/93
Radisson Inns Corp		8/27-9/9/92	640.64	6661	09/21/92	7152	10/21/92
(D 6/1 92)							
			58,329.04				

ATTACHMENT 3  
Page 94 of 108

Page 94, 12/27/94

950/0194745

Clinton/Care '92 General Committee  
 Schedule of Non-Qualified Expenses:  
 Non-Campaign Related

Payee	Check Number	Check Date	NQCE / Amount	Purpose of NQCE
Alamo Rent A Car	10250	12/30/92	\$34,766.00	payment for missing cars
The Future Now	10758	02/19/93	12,500.00	payment for equipment not returned
Philip Barr	10411	02/14/93	2,350.00	payment for lost computer
Motorola, Inc.	7340	10/21/92	10,122.00	payment for equipment not returned
	12135	03/31/93	1,280.00	payment for lost equipment
Infact US	12037	03/10/93	3,450.00	payment for equipment not returned
Eight Day Sound	4507	09/24/92	3,296.00	payment for equipment not returned
Porta Car Equipment	12141	03/31/93	2,529.61	payment for lost equipment
Total			<u>570,295.61</u>	

✓ - Non-Qualified Campaign Expenses

95070194736

COMPUTER SYSTEMS UTILIZATION  
CLINTON FOR PRESIDENT COMMITTEE, CLINTON/GORE 92

August 1991-October 1991

Equipment: 386 PC running 8 devices

Vendor: Malone & Company

Functions Performed: Ran office package including word processing and scheduling; ran political data base. Maintained contributor information. Supported staff of 18.

November 1991-May 1992

Equipment: Unix CCI 6/32 running up to 128 devices, 80 simultaneous users.

Vendor: Malone & Company

Functions Performed: Continued to run office package including word processing and scheduling as well as running political data base. Supporting 40 work stations on the network. Supported staff of 49 at the end of November which had grown to 173 by the end of May. By the end of May, forty core staff and approximately 100 auxiliary staff people were working on delegate relations. The computer system provided terminals for 20% of the core staff. Mailings and calls to each delegate after each state primary were necessary and computerized tracking was maintained.

General correspondence had grown to 1600 letters per week by the end of May and doubled again in June. Governor Clinton felt it was critical that every letter be answered, and in a timely manner. This continual growing load of correspondence greatly taxed the processing power of the CCI 6/32 and its software.

The overall capacity of the CCI 6/32 system was physically limited to 128 devices (terminals, printers, modems, etc.). Of that number *only 80 devices* could be operated simultaneously without experiencing computer problems such as terminal lockouts, system crashes, processing delays of up to 30 minutes or more, etc. Backups required manual intervention and took up to a full week to complete. They were obsolete before they were completed. A summary of the devices supported by the CCI 6/32 at various times during this time frame is as follows:

Month	Terminals	Modems	Printers	Total Devices
December, 1991	36	3	10	49
January, 1992	52	3	12	67
February and March, 1992	64	5	14	83
April, 1992	88	7	18	113
May, 1992	91	9	18	118

Service was required on a recurring basis due to system failures. (Copies of sample service requirements are attached.)

95070194737

The ever-growing young staff was familiar with the DOS working environment and needed to be able to use Novell. Extensive upgrades to both the hardware and software were going to be necessary to accommodate the user needs. Quotes were taken regarding the necessary upgrades to the existing system where it was determined that a new system would actually cost less. (Upgrades were projected to cost in excess of \$400,000 and the result would have been less desirable than an entirely new system.) Several consultants were involved in the decision process and all agreed that the new system was the only sensible alternative.

May 30, 1992-present

Equipment: DRS 6000, 386 pc's and networks. DRS 6000 was originally configured to accommodate 150 simultaneous users. Additional computer components were added during the General Election to ultimately take the capacity to 300 users.

Vendors: ICL, Inc.—hardware and software, Malone & Company—hardware and consulting, Future Now and Complete Computing—personal computers and software.

Functions Performed: Continued to run office package including word processing and scheduling as well as running political data base for balance of Primary and during General Election.

System expansion in May, 1992 accommodated additional user needs of tracking delegates for the Democratic Convention, allowing the delegate operation to interface using a separate Novell network—portable for use in New York during the Convention.

This equipment (temporary system) was installed in the Gazette Building. (The Committee had outgrown its old space and made the move to the new space effective June 1, 1992.) Installing the new equipment in the old building and moving it to the Gazette Building in just a few days would not have been cost effective or sensible considering the tempo of campaign operations. A temporary system was necessary due to the Committee's urgent computer needs as indicated by the chart above. The permanent system was installed less than one month later.

The new system required a new networking system and extensive rewiring. (I-K Electric provided the wiring.)

The 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.

Primary records were maintained and functions performed through the Convention after which the General Election began. Primary political records and other information were used in the General Election. This equipment was sold to the Clinton/Gore '92 Committee effective after the Convention.

Clinton for President records previously maintained by Public Office Corporation as well as detailed transaction files from World Wide travel were transferred to the ICL equipment as part of the winddown operation. Amendments required by FEC auditors related to press and Secret Service reimbursements as well as continuing data to respond to audit questions and make quarterly FEC filings have been maintained.

Accounting records to include vendor information and cash disbursements have been maintained by the Committee on in-house 386 computers.

0507019473

Data necessary for preparation of amendments necessary to debt schedules originally prepared by POC covering inception through March, 1993 has been reconstructed by the Committee. Amended reports were prepared and filed.

Many of the PC's and printers were sold to Transition, staff and others at the end of the General Election.

December, 1991-Present

Equipment: N/A due to service bureau nature of services

Vendor: Public Office Corporation (POC)

Functions Performed: Public Office Corporation provided data processing services for Clinton for President in the area of producing required 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. During late 1992 and early 1993, the Committee began the difficult task of moving the POC maintained data to Committee computers in Arkansas. POC has continued to provide minimal services as requested since that time. At present POC still maintains certain duplicate records and answers questions relative to the ongoing audit. It is anticipated that upon completion of the current phase of the FEC audit all records remaining in custody of POC will be moved to Arkansas and the relationship terminated other than on an advisory basis as needed during the duration of the audit period.

POC provided no services to Clinton/Gore '92 or the related Compliance Committee.

July 16, 1992-Present

Clinton/Gore '92 Committee: All accounting related computer services were performed in-house on networked PC's. All FEC compliance reports were prepared internally by the Committee from information generated on the accounting department computers.

Vendors: Future Now, Inc., Complete Computing, Great Plains, Kerry for President Committee

Compliance Committee: All accounting related computer services were performed in-house on separate networked PC's. Compliance Committee computers were separately networked and maintained separate from the Clinton/Gore '92 Committee accounting computers. All FEC compliance reports were prepared internally by the Committee from information generated on the Compliance accounting department computers and manual records.

Vendors: Complete Computing, Aristotle Software

(last updated July 3, 1994)

9507019412

Pre-funding

VENDOR	COST	AMOUNT PAID BY GENERAL COMMITTEE	AMOUNT DUE FROM THE GENERAL COMMITTEE	AMOUNT DUE FROM THE COMPLIANCE FUND
--------	------	----------------------------------	---------------------------------------	-------------------------------------

EQUIPMENT AND FACILITIES

Printer Now, Inc.	113,676	65,478	608	2,728 1
Printer Now, Inc. shipped 7/15	11,676	0	1008	11,676
Printer Now, Inc. shipped 7/15	5,066	2,894	1008	2,172
1 A Electric	272,460	155,047	601	8,429 1
1 A Electric	79,808	0	501	19,904
Little Rock Newspapers	106,175	0	608	12,500 2
W P Nelson	31,260	62,505	608	0
		0	508	16,630

POSTAGE AND DIRECT MAIL

Greenberg Data	99,306	0	508	49,653
U S Convention Survey 84	9,315	0	1008	9,315
Opinion Research	81,450	0	508	41,725
U S Convention Poll 83 7/15	5,930	0	1008	5,930
U S Convention Poll 84 7/16	4,594	0	1008	4,594
Strategic Political Response				200,164

GENERAL ELECTION MEDIA EXPENSES

Phone Calls	6,109	0	1008	6,109
Man From Hope	161,271	0	508	80,637
Teat Keep Spot	4,106	0	1008	4,106
Admin 7/15 through 8/18	18,990	0	1008	18,990

ATTACHMENT 3  
Page 99 of 108

061094056

Pre-funding

VENDOR	COST	AMOUNT PAID BY GENERAL COMMITTEE	AMOUNT DUE FROM THE GENERAL COMMITTEE	AMOUNT DUE FROM THE COMPLIANCE FUND
--------	------	----------------------------------	---------------------------------------	-------------------------------------

MISCELLANEOUS GENERAL EXPENSES

Air Advantage 7/18/93 Receiptly.	17,000	2,000	1000	15,000
Morton Brothers	76,320	15,900	1000	60,420
Press Association, Inc.		7,687	1000	2,316

OTHER

Blue Cross/Blue Shield  
La Maspe's Office

3,248 3  
2,300 3

SUB-TOTAL: 390,480 200,484

LESS:  
Strategic Political Response - Master File 4

69,660

TOTAL: 390,480 130,824

- 1 Unpaid value tax.
- 2 Amount represents one half July rent.
- 3 Acknowledged by Committee.
- 4 This amount is not considered due from the Compliance fund but is non-qualified.

10146107050

CLINTON/GORE '92 COMMITTEE  
 STATEMENT OF NET OUTSTANDING QUALIFIED  
 CAMPAIGN EXPENSES AT DECEMBER 4, 1992 a  
 (As determined by the Audit Staff as of 6-30-94)

ASSETS

Cash on Hand		\$1,325,865
Accounts Receivable:		
Duplicate Payments	\$ 20,973 b/	
Clinton for President	\$ 43,726 c/	
Compliance Fund	\$267,840 d/	
Refunds Due at (6/30/94) e/	\$181,812	
Reported Refunds Received (12/5/92 to 6/30/94)	<u>\$3,028,657</u>	\$3,543,008
Non-qualified Campaign Expenses Pre 12/5/92		\$ 15,934
Capital Assets f/		<u>\$ 58,961</u>
<b>TOTAL ASSETS</b>		<b>\$4,943,768</b>

LIABILITIES

Accounts Payable:		
Clinton for President g/	\$505,027	
DSCC WIN '92	\$ 1,239	
Payments for Qualified Campaign Expenses (12/5/92 to 6/30/93)	\$2,091,776	
Reported A/P @ 6/30/94	<u>\$165,536</u>	\$2,763,578
Payments for Wind down Expenses h/ (12/5/92 to 6/30/94)		\$2,058,944
Prohibited Contributions (Finding III.A.1)		\$ 112,100
Payable to U.S. Treasury for Income Earned (Finding III.D.)		\$ 6,646
Miscellaneous Reconciling Adjustment		<u>\$ 2,500</u>
<b>TOTAL LIABILITIES</b>		<b>\$4,943,768</b>

Net Outstanding Qualified Campaign  
 Expenses Deficit

-0-

050/0194702

CLINTON/GORE '92 COMMITTEE  
FOOTNOTES TO NOQCE STATEMENT

- 950/0194/3
- a/ All figures are rounded to the nearest dollar.
- b/ This represents amounts paid twice by the General Committee to various vendors which have been refunded to the General Committee (\$13,285); and those items still to be resolved (\$7,688). An uncollectible amount (\$641) has been excluded from the NOQCE presentation (see Finding III.C.7.).
- c/ This figure represents primary related expenses paid by the General Committee (see Finding III.C.1.).
- d/ This amount represents a receivable to reimburse the General Committee for expenditures that could have been paid by the Compliance Fund as determined by the Audit staff (see Finding III.C.12.).
- e/ This amount does not include about \$190,000 of media refunds still under review by the General Committee's media vendor. In addition, the Audit staff has made an allowance for uncollectible reimbursements from the Secret Service totaling \$108,982. Finally, this amount excludes a receivable due from the Primary Committee (\$43,726) shown separately.
- f/ Based upon the Commission's determinations, the Audit staff calculated the value of computers and related equipment transferred to the General Committee to be \$327,559. Under 11 C.F.R. §9003.3(a)(2)(ii), 70% of computer related equipment and services may be defrayed by the Compliance Fund. In addition, 11 C.F.R. §9004.9(d)(1) allows for capital assets to be depreciated and presented on the NOQCE at 60% of its fair market value or cost. Based upon the above, the Audit staff calculated capital assets to be \$58,961 ( $\$327,559 \times 30\% \times 60\%$ ).
- g/ Based on the Audit staff's review (see Finding III.C.2., 3., 4., 5. & 6.), this amount represents expenses relative to the general election paid by the Primary Committee and other amounts due the Primary Committee.
- h/ This amount has been considered by the Audit staff in its calculation of the accounts receivable figure above for remaining expenses that could have been paid by the Compliance Fund (see Finding III.C.12.).

History of General Disbursements  
 Schedule of State Funded Checks Issued After Migration to LHM

Created by: NDI 0 2 91  
 Last Modified: 0 2 94  
 User: FINANCIAL/10/10/91

Agency	Check Number	Check Amount	Migration To the LHM	Re-issued Check #	Re-issued Date	Check Date	Amount	Original Category	Comments
2000-01-01	24 Feb 92	21.35	Check Cleared	1214	09 Dec 91	07 Dec-93	\$300.00	Grant not provided	No check copy; no vendor statement
2000-01-01	25 Feb 91	108.77	Check Cleared	1294	09 Dec 91	07 Dec-93	\$50.00	Grant not provided	No check copy; no vendor statement
2000-01-01	11 May 92	106.00	Check Cleared	4805	07 Dec-93	17 Feb-93	\$1,103.79	Grant not provided	No check copy; no vendor statement
2000-01-01	14 May 92	133.7	Check Cleared	4866	08 Dec-93	08 Dec-93	\$1,538.46	Grant not provided	No check copy; no vendor statement
2000-01-01	29 May 92	190.7	Check Cleared	4784	03 Nov-93	03 Nov-93	\$913.91	Grant not provided	No check copy; no vendor statement
2000-01-01	15 Oct 92	250.7	Check Cleared	4781	09 Nov-92	09 Nov-92	\$1,188.31	Grant not provided	No check copy; no vendor statement
2000-01-01	15 Oct 92	25.75	Check Cleared	3344	11 Jan-94	11 Jan-94	\$346.90	Grant not provided	No check copy; no vendor statement
2000-01-01	02 Nov 92	304.3	Check Cleared	4806	05 Nov-93	05 Nov-93	\$387.68	Grant not provided	No check copy; no vendor statement
2000-01-01	02 Nov 92	323.3	Check Cleared	4769	09 Nov-93	09 Nov-93	\$1,057.29	Grant not provided	No check copy; no vendor statement
2000-01-01	06 Dec 92	18.46	Check Cleared	4762	15 Dec-93	15 Dec-93	\$304.55	Grant not provided	No check copy; no vendor statement
2000-01-01	17 Dec 92	193.5	Check Cleared	4808	07 Dec-93	07 Dec-93	\$514.08	Grant not provided	No check copy; no vendor statement
2000-01-01	18 Dec 92	424.5	Check Cleared	4807	10 Dec-93	10 Dec-93	\$542.22	Grant not provided	No check copy; no vendor statement
2000-01-01	19 Dec 92	412.9	Check Cleared	4391	18 Feb-93	18 Feb-93	\$111.15	Grant not provided	No check copy; no vendor statement
2000-01-01	23 May 92	18.75	Check Cleared				\$200.00	Grant not provided	No check copy; no vendor statement
2000-01-01	21 Jul 92	108.0	Check Cleared				\$2,800.00	Grant not provided	No check copy; no vendor statement
2000-01-01	07 Aug 92	124.0	Check Cleared				\$400.00	Grant not provided	No check copy; no vendor statement
2000-01-01	15 Aug 92	168.5	Check Cleared				\$2,000.00	Grant not provided	No check copy; no vendor statement
2000-01-01	18 Aug 92	174.5	Check Cleared				\$2,000.00	Grant not provided	No check copy; no vendor statement
2000-01-01	25 Aug 92	27.0	Check Cleared				\$6,380.00	Grant not provided	No check copy; no vendor statement
2000-01-01	25 Aug 92	26.39	Check Cleared				\$160.00	Grant not provided	No check copy; no vendor statement
2000-01-01	27 Aug 92	26.40	Check Cleared				\$945.00	Grant not provided	No check copy; no vendor statement
2000-01-01	28 Aug 92	26.41	Check Cleared				\$480.00	Grant not provided	No check copy; no vendor statement
2000-01-01	01 Sep 92	292.7	Check Cleared				\$560.00	Grant not provided	No check copy; no vendor statement
2000-01-01	09 Sep 92	320.6	Check Cleared				\$120.00	Grant not provided	No check copy; no vendor statement
2000-01-01	10 Sep 92	111.7	Check Cleared				\$76.56	Grant not provided	No check copy; no vendor statement
2000-01-01	16 Sep 92	428.6	Check Cleared				\$220.00	Grant not provided	No check copy; no vendor statement
2000-01-01	23 Sep 92	471.9	Check Cleared				\$1,896.60	Grant not provided	No check copy; no vendor statement

4774 6107656

3  
 103-408

12/27/94

Clinton/Gore '92 General Committee  
 Schedule of State-Entered Checks Remaining After Response to IAR

ATTACHMENT #7  
 Page 2 of 5

Created by: ANB 8-2-94 Last Revised: 8-2-94  
 GRID: PMSDME/ATTACHMENT

Payee	AGENCY	Check Date	Check Number	Check Amount	Disposition Per Date Response To the IAR	Re-Issued Check #	Re-Issued Check Date	Date Check Cleared	Amount Still Q/S (State)	Subtotal By Category	Comments
29 Jeremy Ben Am	CHCR	23-Sep-92	4875	\$200.00	CHKE VOIDED				\$200.00		No chk copy; no vendor stat
30 Sharon Burlington	CHCR	28-Sep-92	5311	\$2,390.04	CHKE VOIDED				\$2,390.04		No chk copy; no vendor stat
31 John Munroe	CHCR	16-Oct-92	6869	\$250.00	CHKE VOIDED				\$250.00		No chk copy; no vendor stat
32 Jack Murray	CHCR	16-Oct-92	6914	\$240.00	CHKE VOIDED				\$240.00		No chk copy; no vendor stat
33 Prime Services Ltd	CHCR	31-Oct-92	8533	\$911.08	CHKE VOIDED				\$911.08		No chk copy; no vendor stat
34 John Munroe	CHCR	31-Oct-92	8578	\$250.00	CHKE VOIDED				\$250.00		No chk copy; no vendor stat
35 American International	CHCR	15-Nov-92	9171	\$248.78	CHKE VOIDED				\$248.78		No chk copy; no vendor stat
36 Wortham Nat'l Bank	CHCR	23-Nov-92	9712	\$2.08	CHKE VOIDED				\$2.08		No chk copy; no vendor stat
37 Ashley Adams	CHCR	30-Nov-92	9972	\$165.00	CHKE VOIDED				\$165.00		No chk copy; no vendor stat
38 Steve Best	HR	01-Sep-92	1461	\$50.00	CHKE VOIDED				\$50.00		No chk copy; no vendor stat
39 Steve Best	HR	01-Sep-92	1462	\$150.00	CHKE VOIDED				\$150.00		No chk copy; no vendor stat
40 Kevin Varney	HR	13-Aug-92	2274	\$150.00	CHKE VOIDED				\$150.00		No chk copy; no vendor stat
41 Jack Murray	HR	16-Oct-92	4428	\$75.00	CHKE VOIDED				\$75.00		No chk copy; no vendor stat
42 Anthony Pitts	POL	14-Aug-92	585	\$621.32	CHKE VOIDED				\$621.32		No chk copy; no vendor stat
43 Evelyn Kaspery Morrison	POL	14-Sep-92	1497	\$187.53	CHKE VOIDED				\$187.53		No chk copy; no vendor stat
44 April K. Hollady	POL	14-Sep-92	1756	\$1,920.27	CHKE VOIDED				\$1,920.27		No chk copy; no vendor stat
45 Donna K. Patterson	POL	03-Dec-92	4106	\$107.92	CHKE VOIDED				\$107.92	\$26,057.18	No chk copy; no vendor stat
46 Frank Appolly	CHCR	08-Aug-92	1319	\$660.00	Letter sent to Payee				\$660.00		Unresolved
47 Steve Best	CHCR	17-Aug-92	1708	\$400.00	Letter sent to Payee				\$400.00		Unresolved
48 Brad Wess	CHCR	19-Aug-92	1817	\$4.00	Letter sent to Payee				\$4.00		Unresolved
49 Mary Oppenheimer	CHCR	19-Aug-92	1905	\$330.00	Letter sent to Payee				\$330.00		Unresolved
50 Comfort View Laundry	CHCR	25-Aug-92	2228	\$1,200.00	Letter sent to Payee				\$1,200.00		Unresolved
51 Mary Carverton	CHCR	09-Sep-92	3207	\$720.00	Letter sent to Payee				\$720.00		Unresolved
52 Ted Carr	CHCR	11-Sep-92	3470	\$275.00	Letter sent to Payee				\$275.00		Unresolved
53 Radisson Plaza Hotel	CHCR	14-Sep-92	3720	\$904.00	Letter sent to Payee				\$904.00		Unresolved
54 Westin Hotel	CHCR	14-Sep-92	3721	\$929.32	Letter sent to Payee				\$929.32		Unresolved
55 Jonathan Schmitt	CHCR	15-Sep-92	3915	\$80.00	Letter sent to Payee				\$80.00		Unresolved
56 Martha McClennan	CHCR	18-Sep-92	4242	\$530.00	Letter sent to Payee				\$530.00		Unresolved
57 Kevin Varney	CHCR	24-Sep-92	4784	\$300.00	Letter sent to Payee				\$300.00		Unresolved

ATTACHMENT 3  
 Page 104 of 108

Page 104, 12/27/94

050/0194/25

University of Nevada System  
 Schedule of State Issued Checks Issuing After Inquiries to IAN

Issued by: AGS 8 2 94  
 Last Issued: 8 2 94

ATTACHMENT B  
 Page 3 of 5

Payee	Check #	Check Date	Check Amount	Disposition	Re-Issued Check #	Re-Issued Date	Cleared	Date	Amount	Statistical By	Category	Comments
01 Labor/Track	08331	08 02 92	5083	Letter sent to Payee					\$3,528.00			(B) new/void
02 Labor/Track	08332	08 02 92	6034	Letter sent to Payee					\$200.00			(B) new/void
03 Labor/Track	08333	08 02 92	7410	Letter sent to Payee					\$165.00			(B) new/void
04 Labor/Track	08334	08 02 92	8662	Letter sent to Payee					\$165.00			(B) new/void
05 Labor/Track	08335	08 02 92	8042	Letter sent to Payee					\$275.00			(B) new/void
06 Labor/Track	08336	08 02 92	8088	Letter sent to Payee					\$200.00			(B) new/void
07 Labor/Track	08337	08 02 92	8396	Letter sent to Payee					\$23.05			(B) new/void
08 Labor/Track	08338	08 02 92	8610	Letter sent to Payee					\$165.00			(B) new/void
09 Labor/Track	08339	08 02 92	8612	Letter sent to Payee					\$160.00			(B) new/void
10 Labor/Track	08340	08 02 92	8725	Letter sent to Payee					\$196.08			(B) new/void
11 Labor/Track	08341	08 02 92	8805	Letter sent to Payee					\$27.34			(B) new/void
12 Labor/Track	08342	08 02 92	8927	Letter sent to Payee					\$75.90			(B) new/void
13 Labor/Track	08343	08 02 92	9006	Letter sent to Payee					\$123.06			(B) new/void
14 Labor/Track	08344	08 02 92	9090	Letter sent to Payee					\$458.88			(B) new/void
15 Labor/Track	08345	08 02 92	9135	Letter sent to Payee					\$5.16			(B) new/void
16 Labor/Track	08346	08 02 92	9814	Letter sent to Payee					\$472.00			(B) new/void
17 Labor/Track	08347	08 02 92	9879	Letter sent to Payee					\$501.75			(B) new/void
18 Labor/Track	08348	08 02 92	10322	Letter sent to Payee					\$441.07			(B) new/void
19 Labor/Track	08349	08 02 92	10459	Letter sent to Payee					\$9.92			(B) new/void
20 Labor/Track	08350	08 02 92	1021	Letter sent to Payee					\$200.00			(B) new/void
21 Labor/Track	08351	08 02 92	1220	Letter sent to Payee					\$25.00			(B) new/void
22 Labor/Track	08352	08 02 92	1221	Letter sent to Payee					\$100.00			(B) new/void
23 Labor/Track	08353	08 02 92	1222	Letter sent to Payee					\$125.00			(B) new/void
24 Labor/Track	08354	08 02 92	1276	Letter sent to Payee					\$125.00			(B) new/void
25 Labor/Track	08355	08 02 92	1454	Letter sent to Payee					\$175.00			(B) new/void
26 Labor/Track	08356	08 02 92	1541	Letter sent to Payee					\$150.00			(B) new/void
27 Labor/Track	08357	08 02 92	1779	Letter sent to Payee					\$75.00			(B) new/void
28 Labor/Track	08358	08 02 92	1780	Letter sent to Payee					\$25.00			(B) new/void
29 Labor/Track	08359	08 02 92	2023	Letter sent to Payee					\$125.00			(B) new/void
30 Labor/Track	08360	08 02 92	2009	Letter sent to Payee					\$125.00			(B) new/void

9507016194776



Clinton County '94 General Committee  
 Statement of State Taxes (Checks Remitting After Impound to LHM)

NOTHING BUT  
 Page 5 of 5

Period: July 8 2 01 - End: August 8 2 94  
 File: 11/000001/1994

Project	Month	Check	Check	Check	Impound	Re-issued	Re-issued	Date	Amount	Added	Comments
		Number	Number	Amount	To The LHM	Check #	Check	Cleared	(Scale)	By	

Statement of Committee Impounding PA1  
 Statement of Committee For Loan Account  
 Impound of Committee Payroll Account

9 6 7 4 6 1 0 7 6 5 6

Clatsop County '92 General Election  
 Compliance Fund  
 Schedule of Stated Dated Checks  
 Based on OIR Requirse to the IAR

ATTACHMENT #4  
 Page 1 of 1

Date Last Revised: 7-26-94  
 Created By: AAS  
 GLID: F482DNJ233XZ  
 Date Created: 7-25-94

Check Number	Check Date	Check Amount	Payee	Disposition Per OIR	Re-Issued Check#	Re-Issued OIR Date	Re-Issued OIR Cleared (Y OR N)	Amount (\$111 Q/3 (Scale))
1091	10/19/92	\$150.00	Edward Reichel	Re-Issued				
1095	10/19/92	250.00	Fruith Morris of San Francisco	Re-Issued				
1117	11/02/92	25.00	W/Alth Lanting	Re-Issued				
1172	11/06/92	1,000.00	Hubert Wagner	Re-Issued				
1199	11/06/92	100.00	Kevin Alexander	Re-Issued				
1245	11/11/92	100.00	Billy Jo Reddick	Re-Issued				
1262	11/17/92	1,000.00	J. Charles Johnson	Re-Issued				
1269	11/17/92	30.00	Walen Hamner	Re-Issued				
1275	11/18/92	676.00	Calverline Lord	Re-Issued				
1321	11/23/92	200.00	Charles Wayne	Re-Issued				
<b>Total</b>								51,611.00

ATTACHMENT 3  
 Page 108 of 108

6 0 7 4 6 1 0 7 0 5 6

BEFORE THE FEDERAL ELECTION COMMISSION

January 30, 1995

RESPONSE OF CLINTON/GORE '92 COMMITTEE  
AND CLINTON/GORE '92 GENERAL ELECTION COMPLIANCE FUND  
TO THE INITIAL REPAYMENT DETERMINATION SET FORTH IN THE FINAL  
AUDIT REPORT

9507019400

This response is filed on behalf of Clinton/Gore '92 Committee (the "General Committee") and Clinton/Gore '92 General Election Compliance Fund ("GELAC") (collectively, the "Committees") to the Final Audit Report and initial repayment determination contained in such report in accordance with 11 C.F.R. 9007.2(c)(2). The General Committee is not requesting an oral presentation in connection with the initial repayment determination, and believes that the Commission can make a final repayment determination based on the attached documentation alone.

The General Committee disputes the Commission's initial repayment determination of \$254,546.00. In particular, the Committee objects to Finding III.A. Apparent Prohibited Contributions, Finding III. B 1. and Finding III. E. Stale-Dated Checks. Based on these objections discussed below, the General Committee contends that the correct repayment number is \$109,061. A check for that amount payable to the U.S. Treasury is attached<sup>1</sup>

<sup>1</sup> The Committee has placed \$145,485 (\$254,561 - \$109,061) in a separate bank account pending Commission issuance of a final repayment determination.

ATTACHMENT

1 4 197

1. Apparent Prohibited Contribution (Finding III.A)

The General Committee vehemently objects to the audit division's position that the General Committee received \$111,100 in prohibited contributions in connection with four media contracts that were amended during the general election. As we noted in our response to the interim audit report, the contracts were amended because it became apparent that the services required of the vendors were different than originally anticipated. The overall media plan for the DNC was developed during the general election period. Essentially, a creative team was established to work on DNC 441(a)(d) media, campaign media and other DNC generic media. The original contracts with the team vendors were entered into based on the original expectations for the media plan and the anticipated services by those vendors to the DNC and the campaign respectively. As the overall media plan was refined, the contracts were amended to reflect the actual services provided based on a shift in focus and increased DNC use of generic advertising. It is clear from the terms of the amended contracts that they were amended because the four vendors would be providing fewer services to the Committee than anticipated in the original contracts.

The auditors note that the contracts with the Committee were not signed until October 15, 1992 and contracts with the DNC until October 26, 1992 although the DNC contracts covered a period from September 8, 1992 through November 15, 1992. However, this has no legal relevance. Although the amended contracts and DNC contracts were not executed in final until October, the terms of such contracts had been

ATTACHEMENT <sup>4</sup>

Page 2 of 14

950/0194101

acknowledged and were being followed by the parties prior to final execution of the written documents. Prior to the execution of the written contracts, the vendors had reduced their services for the Committee and were working for the DNC providing generic media. The written contracts signed in October 1992 simply memorialized that arrangement. In addition, the auditors have questioned how the amounts to be paid by the DNC for the generic media were determined. As the attached affidavit (Exhibit A) from Greer, Margolis, Mitchell, Burns & Associates, the media consultant for the Committee during 1992, provides, by the time the amended contracts with the Committees and the contracts with the DNC were executed, the firm had a well-developed overall media strategy, and, accordingly, had determined what emphasis would be placed on generic media versus media for the candidate. On that basis, the amounts to be paid by the DNC for generic media were determined.

In response to the Interim Audit Report, the Committee provided copies of the four vendors' contracts with the DNC and a letter from the DNC General Counsel, Joe Sandler, which confirm that the services provided to the DNC were for generic media. (Copies of these documents are attached to this response.) Despite this conclusive evidence, the final audit report states that in the audit division's opinion the amount of the amended contracts (\$111,100) constitutes a prohibited contribution. Such a position is logically untenable and legally baseless. Again, the Committee reiterates that it is absurd for the auditors to allege an impermissible contribution on the basis of an amended contract that calls for reduced services to the Committee. Moreover, the auditors did not accurately represent to the Commission the documentation provided by the General

ATTACHMENTS  
3 of 4  
147

95070191302

Committee. The auditors specifically stated to the Commission in open session that they had no evidence that these vendors were paid by the DNC or by anyone for the amended contracts. In fact, the Committee obtained from the DNC and attached as Exhibit 8 to its Response to the Interim Audit Report copies of the canceled DNC checks paying the vendors. We do not see how the auditors could have overlooked this documentation.

Nevertheless, the Committee has provided further evidence to demonstrate that the services provided to the Democratic National Committee (the "Committee") were different from those provided to the Committee - that the services provided to the DNC were for generic media. Attached as Exhibit A is an affidavit from the DNC's media consultant during the 1992 elections, Greer, Margolis, Mitchell, Burns & Associates, Inc. (formerly, Greer, Margolis, Mitchell, Grunwald & Associates, Inc.) ("GMMG&A") which states that Deutch, Inc. Michael Donilon, Valerie Graves and Squier Eskew Knapp Ochs, were part of a creative team organized and directed by GMMG&A during 1992 to provide generic media for the DNC. GMMG&A acted as lead agency in a collaborative effort with these vendors to develop and produce television and radio advertising for the DNC. The creative team participated in regular strategy discussions, creative development, scripting, filming and producing of generic television and radio advertising.

Deutsch, Inc., Michael Donilon, Valerie Graves and Squier Eskew Knapp Ochs all drafted television and radio scripts for the DNC. The affidavit provides specific examples of some of the media spots created and used as a result of these efforts. For example, Valerie Graves worked on radio targeted to African-American voters such as the Magic

950/019433

ATTACHEMENT 4  
Page 4 of 147

9507019444

Johnson spot. Mike Donlon and Squier Eskew Knapp Ochs were involved in the strategy, message development and scripting of radio spots to be broadcast in Michigan and a number of southern states, especially as part of the Get-Out-The-Vote (GOTV) campaign. In addition, Deutsch, Inc. wrote and produced two television spots - "Gina" and "Jonathon 3" for which videos are provided. At this late date, GMMG&A could not possibly provide the Committee with complete records concerning all of the specific spots worked on by these individuals, but the information provided more than amply supports the previous statement of DNC General Counsel, Joseph Sandler, that they performed generic media services and were compensated for those services pursuant to the amended contracts. Therefore, based upon the evidence provided by the Committee, there is absolutely no basis for the auditors' position that the amount of the reduced services to the Committee be considered a prohibited contribution. Accordingly, the initial repayment determination should be reduced by \$111,100.

At the Commission meeting on December 15, the question was raised as to whether these expenditures could be allocated to the 441(a)(d) limit by the DNC. Although the Committee believes that there is absolutely no basis for ordering such a result, both the DNC and the Committee would be willing to take whatever steps are necessary to make that allocation if the Commission finds the information presented insufficient to resolve this matter.

ATTACHMENT 4  
Page 5 of 147

2. Apparent Duplicate Payment (Finding III B 1.)

In the Final Audit Report, the auditors listed \$8,329.04 as unresolved duplicate payments. Of that amount, \$1,850.00 in duplicate payments to Southwestern Bell Telecom have been refunded and are, therefore, resolved. (See Exhibit B.)

3. Stale-Dated Checks (Finding III.E.)

The Final Audit Report stated that there are \$57,175.00 in unresolved stale-dated checks. Of that amount \$32,534.76 have been resolved and only \$24,640.15 remain unresolved. A listing of the additional checks that have cleared (\$9,761.82); and been voided (\$22,772.94) with documentation is attached as Exhibit C.

4. Overall Spending Limit

Finally, attached as Exhibit D is documentation of the transfer from GELAC to the General Committee to bring the General Committee under the spending limitation.

CONCLUSION

The Committees respectfully submit that, based upon this response and accompanying documentation, the Commission must reduce the initial repayment determination of \$254,546.00 set forth in the Final Audit Report by \$145,485 to a final repayment determination of \$109,061.

95270194305

Respectfully submitted.

*Lyn Utrecht*  
Lyn Utrecht  
Oldaker, Ryan & Leonard

*Laura Ryan*  
Laura A. Ryan *by LU*

Counsel  
Clinton/Gore '92 Committee and Clinton/Gore '92 General Election Compliance Fund

959/0194106

ATTACHMENT 4  
Page 7 of 197

CLINTON - GORE '92 COMMITTEE

1322

Repayment - \$109,061.00

5770194

CLINTON - GORE '92 COMMITTEE  
PHONE (501) 372-1882  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

13222

January 30, 1995 \$109,061.00

DATE

AMOUNT

\*\*\*\*\*One hundred nine thousand sixty-one dollars and zero cents\*\*\*\*\*

ONE  
DER U. S. Treasury

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*John R. Tisdale*  
*[Signature]*

⑈013222⑈ ⑆082000073⑆ 008941⑈916⑈2⑈

ATTACHMENT 4  
Page 8 of 147

959/0194-008

---

**EXHIBIT A**

ATTACHMENT 4  
Page 9 of 147

**AFFIDAVIT OF ANNIE BURNS**

I, Annie Burns, hereby declare the following:

1. I am a corporate officer in the media consulting firm of Greer, Margolis, Mitchell, Burns & Associates, Inc., formerly Greer, Margolis, Mitchell, Grunwald & Associates, Inc. (GMMG). In 1992, I was Chief Operating Officer of GMMG. This affidavit is made on this 30<sup>th</sup> day of January, 1995 regarding generic media work performed by Deutsch, Inc., Michael Donilon, Valerie Graves, and Squier Eskew Knapp Ochs for the Democratic National Committee.

2. In the general election period of 1992, a creative team was retained by the DNC. The DNC's retainer covered the creative team's time and expertise to participate in regular strategy discussions, creative development, scripting, filming and producing of generic television and radio advertising for the Democratic National Committee. GMMG acted as the lead agency through this period, coordinating the efforts of the creative team members as well as producing spots ourselves. In addition, by October, GMMG had a fairly well-developed overall media strategy, and, accordingly, had determined what emphasis would be placed on generic media versus media for the candidate.

3. Typically, television and radio scripts go through several generations before production. Deutsch, Inc., Mike Donilon, Valerie Graves and Squier Eskew Knapp Ochs all drafted television and radio scripts for the DNC during the general election. Some of the creative team's draft scripts evolved into spots that were eventually produced either by a team member or by GMMG. Because scripts are constantly being re-drafted and revised prior to production, we only retained final spots produced.

4. In addition to the creative team's efforts on behalf of the overall strategy and thrust of the DNC's generic campaign, their work is also exemplified by the following television spots:

DNC-9217	"Gina"	Written and Produced by Deutsch, Inc.
DNC-9222	"Jonathan 3"	Written and Produced by Deutsch, Inc.
DNC-9225	"Second Street"	Written and Produced by Valerie Graves
DNC-9227	"Speak/Squeezed"	Written and Produced by Squier Eskew Knapp Ochs

95070194102

5. The team members were also very involved in the discussions of message and strategy for the DNC's generic radio advertising campaign. Each of these four entities (i.e. Deutsch, Inc., Mike Donilon, Valerie Graves, and Squier Eskew Knapp Ochs) also participated in the creative development, scripting and producing of individual radio spots or sets of spots. For instance, Valerie Graves worked on radio targeted to African-American voters, such as the Magic Johnson radio spot. Mike Donilon and Squier Eskew Knapp Ochs were involved in the strategy, message development and scripting of radio spots to be broadcast in Michigan and a number of southern states, especially as part of the Get-Out-the-Vote (GOTV) campaign.

6. We have enclosed a VHS tape of the television spots mentioned in paragraph 4, as well as a budget for the "Reality Check" spots entitled "Gina" and "Jonathan 3" and an invoice for production expenses incurred for the "Speak/Squeezed" spot. We had budgets for "Second Street" and "Speak/Squeezed" prior to production but were unable to obtain copies of these budgets at this time.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 30<sup>th</sup> day of January, 1995

  
\_\_\_\_\_  
Annie Burns

11 - 477

95070194-10

**ASSOCIATION OF INDEPENDENT COMMERCIAL EDITORS  
POST PRODUCTION COST SUMMARY**

Production Co:	11-02-1992 Red Car	Time:	15:00:36
Address:	196 Mercer New York, N.Y. 10012	Agency:	<del>XXXXXXXXXX</del>
Telephone:	(212) 982-6555 Fax 982-7179	Address:	215 PAB NYC
Contact:	Roe Bressan	Telephone:	212/995-7500
Editor:		Agency FAX:	212/853-0869
Job #	1092-096	Product:	Coronado National Co
Production Co:	Ellen Frawley	Agency Job #:	
Address:		Agency Producer:	Nick Fox
Telephone:	202/338-8700/2334 Fax	Agency Biz Mgr:	
Contact:		Agency Writer:	
Director:		Agency Art Director:	

**COMMERCIAL IDENTIFICATION**

Title: \_\_\_\_\_ Length: \_\_\_\_\_ Code #: \_\_\_\_\_

**SCHEDULE**

Shooting Date:  
Dailies:  
Edit Date:  
Due Date:  
Media Req't:

**SUMMARY OF ESTIMATED POST PRODUCTION COSTS**

		ESTIMATE	ACTUAL
1000 Prep	Total A	0	0
2' Sound	Total B	250	500
Opticals	Total C	0	0
4000 Laboratory	Total D	360	360
5000 Videotape	Total E	2535	4842
6000 Miscellaneous	Total F	550	1205
7000 Labor (when applicable)	Total G	0	0
8100 DIRECT COST:	SUB-TOTAL	3695	6907
9200 Mark-up (35 %)		1293	2417
3300 Labor	Total G	5130	8441
3000 TOTAL	TOTAL	10118	17765
3100 Sales Tax (0 %)		0	0
GRAND TOTAL	GRAND TOTAL	10118	17765

Comments: This estimate represents costs to edit the above commercials through rough cut only in an offline Avid format.

ATTACHMENT 4  
Page 12 of 147

RED CAR

11-02-1982

Page 2

	#/HR	RATE	ESTIMATE	ACTUAL
<b>PREP</b>				
1010				
1020				
1030				
1040				
1050				
			SUB-TOTAL A	
<b>SOUND</b>				
2010				
2020				
2030				
2040				
2050				
2060				
2070				
2080				
2090				
2100				
2110				
2120				
2130				
2140			250	500
2150				
			SUB-TOTAL B	
			250	500
<b>OPTICAL</b>				
3010				
3020				
3030				
3040				
3050				
3060				
3070				
3080				
3090				
3100				
3110				
3120				
3130				
3140				
3150				
			SUB-TOTAL C	
<b>LABORATORY</b>				
4010	4	@ 90	360	360
4020				
4030				
4040				
4050				
4060				
4070				
4080				
4090				
4100				
4110				
4120				
4130				
4140				
4150				
			SUB-TOTAL D	
			360	360

4

ATTACHMENT \_\_\_\_\_  
 PAGE 13 OF 17

RED CAR

11-02-1992

Page 3

	#/HR		RATE	ESTIMATE	ACTUAL
0		<b>VIDEOTAPE</b>			
6010		Work Pbx to Cassette (Incl Stock)			
6020		Film to Tape w/Color Correction			
6030		Additional Machines			
6040		Utilinette			
6050		Time Compression			
6060		Tape to Tape w/Color Correction			
6070		Tape to Tape Transfers			
6080		Visible Time Coded Cassette			
6100	4	⊕	200	800	2400
6110	2	⊕	50	100	300
6120	1	⊕	335	335	670
6130		On-Line Edit (3 Machines)			
6140		Additional Machines			
6150		Digital Effects Equipment			
6160		Special Effects Equipment			
6170		Electronic Graphics			
6180		Character Generator			
6190		Color Camera			
6200		B/W Camera			
6220		Tape Stock + Reels			
6230		Generic Master			
6240		Edited Master			
6250		Protection Master			
6260				300	472
6270		Finished Cassettes			
6280	1	⊕	1000	1000	1000
			<b>SUB-TOTAL E</b>	<b>2535</b>	<b>4842</b>
6000		<b>MISCELLANEOUS</b>			
6010				150	284
6020				125	518
6030				75	0
6040					
6050				200	425
6060					
6070					
6080					
6090					
6100					
6110					
6120					
			<b>SUB-TOTAL F</b>	<b>550</b>	<b>1205</b>
7000		<b>LABOR</b>			
7010		Pre-Production			
7020		Editor			
7030		Editor OT			
7040	10	Hrs ⊕	45	450	1800
7050	10	Hrs ⊕	65	650	
7060		Travel Time			
7070		Payroll Taxes			
7080		Fee			
				<b>4000</b>	<b>2249</b>
			<b>SUB-TOTAL G</b>	<b>5130</b>	

ATTACHMENT

Page 14 of 147

**SQUER - ESKEW - KNAPP - OCHS**  
COMMUNICATIONS

Robert D. Squer  
Carter A. Eskew  
William N. Knapp  
Thomas Ochs

Greer/ Margolis/Mitchell/Grunwald  
2626 Pennsylvania Avenue, N.W.  
Washington, D.C. 20037

INVOICE # 402-041

FOR SERVICES TO PRODUCE:

(1) :60 TV Spot, for the DNC  
"Squeezed"  
10/23/92

NARRATION:

Including Narrator and Recording  
Studio  
(demo rate)

1 spot @ 355 355.00

MUSIC:

Including Narrator and Recording  
Studio  
(demo rate)

1 cut @ 804 804.00

AUDIO MIX:

Including Mixing Studio  
and Engineer

1 hr @ 200 200.00

95070194114

INVOICE # 402-041 (continued)

DUBBING:

One 3/4" and 3 VHS  
(including stock) 1 job @ 105 105.00

TAPE STOCK:

DAI-60LT (Audio Mix)	1 ca @ 25	25.00
BCT-10M (B-Roll: Work Tape)	1 ca @ 22	22.00
Stretch Track 1/4"	1 rd @ 15	15.00
1" Blacked Edit Master	1 rd @ 25	25.00
3/4 (Music Dub)	1 ca @ 25	25.00
BCT Prot. Master	1 ca @ 40	40.00
P6-120MP (Audio Back-up)	1 ca @ 23	23.00

ON-LINE EDIT:

SP Source to 1" Master	3 hrs @ 300	900.00
ADO: 2 Channel	3 hrs @ 300	900.00
Additional VTR	3 hrs @ 66	198.00
Still Store	3 hrs @ 75	225.00

MISCELLANEOUS:

500.00

TOTAL:

24363.00

957/0194115

05070194216

# RESPONSE TO THE INTERIM REPORT

---

## EXHIBIT 8

ATTACHEMENT

Page 17 of 147

4

DEMOCRATIC ★ NATIONAL ★ COMMITTEE

David Wilhelm, Chairman

July 5, 1994

Lyn Utrecht, Esq., Counsel  
Clinton for President Committee  
c/o Oldaker, Ryan & Leonard  
818 Connecticut Ave., N.W. # 1100  
Washington, D.C. 20006

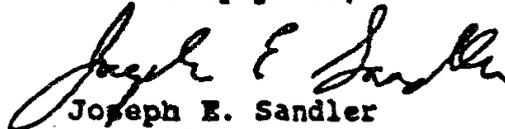
Dear Lyn:

We have sent you under separate cover copies of checks representing payments made during October 1992 to Michael C. Donilon; Valerie Graves; the firm of Squier Eskew Knapp Ochs; and the firm of Deutsch, Inc.

This will confirm that, according to our records, these payments were made for creative and consulting services in connection with the production of generic media, i.e., media which urged support for the Democratic Party and its candidates without mentioning a specific candidate.

If you have any questions or need further information concerning the above, please let me know. With kind regards,

Sincerely yours,

  
Joseph E. Sandler  
General Counsel

ATTACHMENT <sup>4</sup>

Page 18 of 147

95070194317

25070194118

**DNC SERVICES CORPORATION**  
ALLOCATION ACCOUNT  
430 SOUTH CAPITOL STREET, SE.  
WASHINGTON, DC 20003



Credit International Bank, ...  
1110 ...  
Washington, DC 20003

7959

15 162540

10/28 19 92

PAY Twenty four thousand four hundred & 00/100 DOLLARS \$ 24,400.00

TO  
THE  
ORDER  
OF

Deutsch, Inc.  
215 Park Avenue South, 9th Flr.  
New York, NY 10003

RECEIVED 11-12-92 ...  
TWO SIGNATURES REQUIRED

Joan H. Baggett

⑆007959⑆ ⑆054001628⑆

21012301⑆01

⑆000240000⑆

1992

4

959/0194212

1118

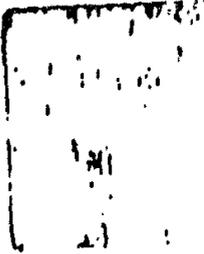
WEST BANK  
NEW YORK  
NY 10017

11-12-92

11 11 11

FOR DEPOSIT ONLY  
DAVID DEUTSH ASSOCIATES, INC.  
ACCT. #2154-61-009  
AT NATIONAL WESTMINSTER BANK USA  
021000322

959/0191-20



DNC SERVICES CORPORATION  
ALLOCATION ACCOUNT  
430 SOUTH CAPITOL STREET, SE.  
WASHINGTON, DC 20003



Credit International Bank, Inc.  
1000 17th Street, N.W.  
Washington, D.C. 20036  
202-462-1000

7960

15 167/540

10/28 1992

PAY TO THE ORDER OF eight thousand nine hundred & 00/100 DOLLARS \$8,200.00

TO THE ORDER OF

*Handwritten:* 12/28  
Squier, Escew, Knapp, Ochs

Squier, Escew, Knapp, Ochs  
Communications  
511 2nd Street, NE  
Washington, DC 20002

404314477 11-02-92 004 28 0400

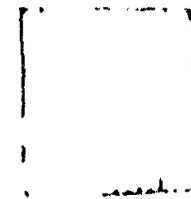
TWO SIGNATURES REQUIRED

*Handwritten signature:* [Signature]

*Handwritten signature:* Joan A. Baggett

⑆007960⑆ ⑆054001628⑆ 21012304⑆01 ⑆0004890000⑆

Page 21 of 197  
4



950/01,94091

FIRST AMERICAN BANK, N.A.  
WASHINGTON, DC 20005  
▶ 054000043 ◀  
FOR DEPOSIT ONLY  
SQUIER, ESKEW, KNAPP & OCHS  
COMMUNICATION  
3415538



0520-0027-B  
0520-0027-B  
FIRST AMERICAN BANK  
054000043  
11-02-92  
N/3/92  
04864141

ATTACHMENT  
Page 22 of 147

DNC SERVICES CORPORATION  
ALLOCATION ACCOUNT  
30 SOUTH CAPITOL STREET SE  
WASHINGTON DC 20003

**NationsBank**  
NationsBank of D.C., N.A.

1238

10/20

1992

1238

Nineteen thousand five hundred & xx/100

DOLLARS

\$ 19,500.00

Michael C. Donilon  
8222 Stacey Road  
Alexandria VA 22308

*[Signature]*

*Joan H. Broughton*

⑈00001238⑈ ⑆054001204⑆ 300474 0⑈ ⑆0001950000⑆

TO  
ORDER  
OF

DNC SERVICES CORPORATION  
ALLOCATION ACCOUNT  
30 SOUTH CAPITOL STREET SE  
WASHINGTON DC 20003

**NationsBank**  
NationsBank of D.C., N.A.

1237

10/30

1992

1237

Eighteen thousand three hundred & xx/100

DOLLARS

\$ 18,300.00

Valerie Graves  
32 West 105th St  
Apt #2  
New York, NY 10025

*[Signature]*

*Joan H. Broughton*

⑈00001237⑈ ⑆054001204⑆ 300474 0⑈ ⑆0001830000⑆

TO  
THE  
ORDER  
OF

*Valerie Graves*

ATTACHMENT 4  
Page 23 of 147

95370194 23

056007387

00012220

By Deposit Only  
Doak, Shrum, and Associates  
P/A

Doak, Shrum, Harris, Sherman, Dunham

*Mr. & Mrs. J. Sherman Dunham*

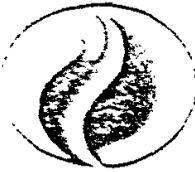
056007387  
00012220

056007387

00012220

ATTACHMENT

Page 24 of 147



Democratic National Committee

A G R E E M E N T

This contract is entered into by and between Squier, Eskew, Knapp, Ochs Communications, hereinafter referred to as "Consultant," located in the District of Columbia, and DNC Services Corporation, hereinafter referred to as "DNC," located in the District of Columbia. This contract allows DNC to obtain the specific consulting services, detailed below, of Consultant.

1. Description of Services: Beginning on September 8, 1992, and ending on November 15, 1992, the Consultant shall provide the services such as the DNC deems desirable in connection with the DNC Generic Media Program.

Consultant shall provide the DNC with the following services:

- o Writing of generic Democratic television advertising and radio commercials.
- o Production of generic Democratic television and radio commercials.
- o Writing, design and layout of generic Democratic print ads.

Consultant shall provide the services described above in solely in cooperation with Greer, Margolis, Mitchell, Grunwald & Associates, Inc. (hereinafter referred to as "GMMG, Inc."). All placement of such advertising and commercials shall be carried out solely by GMMG, Inc.

2. Fee Structure: Consultant will be paid a total of \$48,900. Consultant will be paid \$48,900 on November 15, 1992.

1,1992

*Handwritten initials and date:* P/12/92  
OK ERK  
JH

3. Pre-Broadcast Approval: Any advertisements produced under this agreement for the DNC by Consultant shall require the written approval of Ronald H. Brown, Chairman of the DNC, or his delegated representative, prior to the publishing, public distribution, or public broadcast of such advertisements.

ATTACHMENT 4  
Page 25 of 147

95070124

4. Disclaimers: Any commercials or advertisements produced under this agreement shall include the disclaimer "Paid for by the Democratic National Committee."

5. Effective Dates and Termination: This agreement shall be deemed effective as of September 8, 1992, and shall expire on November 15, 1992. Either party may terminate this Agreement at any time. Upon termination, Consultant shall receive a payment on date of termination equal to the total fee due Consultant under paragraph 2.

6. Expenses: Consultant will not be reimbursed for any expenses incurred in performance of this contract. The fees paid under paragraph 2 constitute the total amount due to Consultant under this agreement.

7. Work Product: All products resulting from this contract and any materials produced in compliance with this contract, including but not limited to all video, audio, and photographic images, shall be the sole property of the DNC.

8. Confidentiality: All parties involved, including the DNC and its consultants, agree to keep information concerning the terms of this Agreement confidential, subject to applicable law, including FEC audit procedures.

9. Liability to DNC: The Consultant shall be an independent contractor, without any express or implied authority to incur any liability or expense to or for the DNC.

10. Resolution of Disputes: This agreement and any task assigned hereunder shall be governed by the laws of the District of Columbia. It is agreed that any court action involving this agreement, or any task assigned hereunder, shall be brought only in the District of Columbia.

11. Amendments: This agreement constitutes the entire Agreement between the parties concerning the subject matter hereof. Any changes, modifications, or amendments to this Agreement must be in writing and executed by both parties hereto.

Agreement between DNO/Squier, Eskew, Knapp, Ochs  
Page Three

DNO Services Corporation  
420 South Capitol Street, S.E.  
Washington, D.C. 20003

By: Jean C. Suggitt Date: 10/26/92

Squier, Eskew, Knapp, Ochs Communications  
511 2nd Street, N.E.  
Washington, D.C. 20002  
TIN: 52-088-5671

By: Alvin H. Knapp Date: 10/27/92

95070194006

ATTACHMENT <sup>4</sup>  
Page 27 of 191



Democratic National Committee

A G R E E M E N T

This contract is entered into by and between Valerie J. Graves, hereinafter referred to as "Consultant," located in the State of New York, and DNC Services Corporation, hereinafter referred to as "DNC," located in the District of Columbia. This contract allows DNC to obtain the specific consulting services, detailed below, of Consultant.

1. Description of Services: Beginning on September 8, 1992, and ending on November 15, 1992, the Consultant shall provide the services such as the DNC deems desirable in connection with the DNC Generic Media Program.

Consultant shall provide the DNC with the following services:

- o Writing of generic Democratic television advertising and radio commercials.
- o Production of generic Democratic television and radio commercials.
- o Writing, design and layout of generic Democratic print ads.

Consultant shall provide the services described above in solely in cooperation with Greer, Margolis, Mitchell, Grunwald & Associates, Inc. (hereinafter referred to as "GMMG, Inc."). All placement of such advertising and commercials shall be carried out solely by GMMG, Inc.

2. Fee Structure: Consultant will be paid a total of \$18,300. Consultant will be paid \$18,300 on November 15, 1992.

3. Pre-Broadcast Approval: Any advertisements produced under this agreement for the DNC by Consultant shall require the written approval of Ronald H. Brown, Chairman of the DNC, or his delegated representative, prior to the publishing, public distribution, or public broadcast of such advertisements.

ATTACHMENT <sup>4</sup>

Page 28 of 147

4. Disclaimers: Any commercials or advertisements produced under this agreement shall include the disclaimer "Paid for by the Democratic National Committee."

5. Effective Dates and Termination: This agreement shall be deemed effective as of September 8, 1992, and shall expire on November 15, 1992. Either party may terminate this Agreement at any time. Upon termination, Consultant shall receive a payment on date of termination equal to the total fee due Consultant under paragraph 2.

6. Expenses: Consultant will not be reimbursed for any expenses incurred in performance of this contract. The fees paid under paragraph 2 constitute the total amount due to Consultant under this agreement.

7. ~~Work Product: All products resulting from this contract and any materials produced in compliance with this contract, including but not limited to all video, audio, and photographic images, shall be the sole property of the DNC.~~

8. Confidentiality: All parties involved, including the DNC and its consultants, agree to keep information concerning the terms of this Agreement confidential, subject to applicable law, including FEC audit procedures.

9. Liability to DNC: The Consultant shall be an independent contractor, without any express or implied authority to incur any liability or expense to or for the DNC.

10. Resolution of Disputes: This agreement and any task assigned hereunder shall be governed by the laws of the District of Columbia. It is agreed that any court action involving this agreement, or any task assigned hereunder, shall be brought only in the District of Columbia.

11. Amendments: This agreement constitutes the entire Agreement between the parties concerning the subject matter hereof. Any changes, modifications, or amendments to this Agreement must be in writing and executed by both parties hereto.

05070191123

Agreement Between DNC, Graves  
Page Three

DNC Services Corporation  
430 South Capitol Street, S.E.  
Washington, D.C. 20003

By: Jean P. Bennett

Date: 10/26/62

Valerie J. Graves  
32 West 105th St. Apt #2  
New York, NY 10025  
SSN: 364-52-4667

By: Valerie J. Graves

Date: 10/27/62

05070191199

ATTACHMENT  
PAGE 30 4 / 147



Democratic National Committee

A G R E E M E N T

This contract is entered into by and between Deutsch Inc., hereinafter referred to as "Consultant," located in the State of New York, and DNC Services Corporation, hereinafter referred to as "DNC," located in the District of Columbia. This contract allows DNC to obtain the specific consulting services, detailed below, of Consultant.

1. Description of Services: Beginning on September 8, 1992, and ending on November 15, 1992, the Consultant shall provide the services such as the DNC deems desirable in connection with the DNC Generic Media Program.

Consultant shall provide the DNC with the following services:

- o Writing of generic Democratic television advertising and radio commercials.
- o Production of generic Democratic television and radio commercials.
- o Writing, design and layout of generic Democratic print ads.

Consultant shall provide the services described above in solely in cooperation with Greer, Margolis, Mitchell, Grunwald & Associates, Inc. (hereinafter referred to as "GMMG, Inc."). All placement of such advertising and commercials shall be carried out solely by GMMG, Inc.

2. Fee Structure: Consultant will be paid a total of \$24,400. Consultant will be paid \$24,400 on November 2, 1992.

3. Pre-Broadcast Approval: Any advertisements produced under this agreement for the DNC by Consultant shall require the written approval of Ronald H. Brown, Chairman of the DNC, or his delegated representative, prior to the publishing, public distribution, or public broadcast of such advertisements.

ATTACHMENT

Page 31 of 147

4. Disclaimers: Any commercials or advertisements produced under this agreement shall include the disclaimer "Paid for by the Democratic National Committee."

5. Effective Dates and Termination: This agreement shall be deemed to take effect as of September 8, 1992, and shall expire on November 15, 1992. Either party may terminate this Agreement at any time. Upon termination, Consultant shall receive a payment on date of termination equal to the total fee due Consultant under paragraph 2.

6. Expenses: Consultant will ~~not~~ be reimbursed for ~~any~~ expenses incurred in performance of this contract. ~~The fees paid under paragraph 2 constitute the total amount due to Consultant under this agreement.~~

*Handwritten:* All expenses must be approved in advance.

7. Work Product: All products resulting from this contract and any materials produced in compliance with this contract, including but not limited to all video, audio, and photographic images, shall be the sole property of the DNC.

8. Confidentiality: All parties involved, including the DNC and its consultants, agree to keep information concerning the terms of this Agreement confidential, subject to applicable law, including FEC audit procedures.

9. Liability to DNC: The Consultant shall be an independent contractor, without any express or implied authority to incur any liability or expense to or for the DNC.

10. Resolution of Disputes: This agreement and any task assigned hereunder shall be governed by the laws of the District of Columbia. It is agreed that any court action involving this agreement, or any task assigned hereunder, shall be brought only in the District of Columbia.

11. Amendments: This agreement constitutes the entire Agreement between the parties concerning the subject matter hereof. Any changes, modifications, or amendments to this Agreement must be in writing and executed by both parties hereto.

95970194

Agreement between DNC Deutsch  
Page Three

DNC Services Corporation  
430 South Capitol Street, S.E.  
Washington, D.C. 20003

By: Jan R. Bryant Date: 10/28/97

Deutsch Inc.  
215 Park Ave., South  
9th Floor  
New York, NY 10003  
Tax ID Number: 132649664

By: [Signature] Date: 10/29/97

050/0194

ATTACHEMENT 4  
Page 33 of 147

950/0194103

---

**EXHIBIT B**

---

ATTACHEMENT 4  
Page 34 of 147

95070194004

*Handwritten note:* 11/15/92 11/15/92

Clinton/Dero '92 General Committee  
Schedule of Apparent Duplicate Payments

Payee	Invoice Number	Invoice Date	Duplicate Amount	Check Number	Check Date	Check Number	Check Date
Northwestern Bell Telcom (ID 14/1)	6427163	09/04/92	9450	9450	11/15/92		
	6421615	08/09/92	9450	9450	11/15/92		
	6421627	08/09/92	9450	9450	11/15/92		
	6421633	08/11/92	9450	9450	11/15/92		
Northwestern Bell (ID 7/1)	8816-483-9160	10/01/92	376.96	8541	10/31/92	9854	11/30/92
	8816-254-2545	09/13/92	353.87	7376	10/31/92	10976	02/25/93
	8541-372-1992	01/20/93	878.63	10927	02/25/93	12171	04/26/93
	8816-221-5315	10/25/92	865.50	10927	02/25/93	12315	06/22/93
	8816-626-9100	09/25/92	545.42	7376	10/31/92	12315	06/22/93
Futures Inv. Inc. (ID 1/14 4/1)	0123746	11/02/92	276.94	9768	11/25/92	10758	02/19/93
	0115093	11/05/92	63.38	9768	11/25/92	10758	02/19/93
Missouri State (ID 1/1 4/1)		0/27-9/9/92	640.64	4641	09/23/92	7332	10/31/92
<b>Total</b>			<b>\$0,659.28</b>				

SCHEDULE A-P

Federal Election Commission  
995 E Street, N.W.  
Washington, D.C. 20460

ITEMIZED RECEIPTS

Use separate  
schedules for  
each category  
of the detailed  
summary page

PAGE 1

OF 113 PAGES

LINE NUMBER

20

TOP OF COMMITTEE (in full)

Anton/Gore '92 Committee

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes other than using the name and address of any political committee to solicit contributions from such committee.

DATE  
(MONTH,  
DAY,  
YEAR)

AMOUNT OF  
EACH RECEIPT  
THIS PERIOD

NAME, ADDRESS, CITY, STATE, ZIP CODE	NAME OF EMPLOYER	DATE	AMOUNT OF EACH RECEIPT THIS PERIOD
Clinton for President Committee P. O. Box 2741 Little Rock, AR 72203 SEE ATTACHED DETAIL	Reimbursement OCCUPATION AGGREGATE YEAR-TO-DATE	07-15-94	43,726.20
Cigna Insurance Company P. O. Box 371311 Pittsburgh, PA 15250	Refund of overpayment OCCUPATION AGGREGATE YEAR-TO-DATE	07-19-94	141.00
State of Louisiana Office of Employment Security Baton Rouge, LA	Refund of overpayment OCCUPATION AGGREGATE YEAR-TO-DATE	07-22-94	149.55
Southwestern Bell Telecom 51 N. Collins Blvd. Richardson, TX 75080	Refund of overpayment OCCUPATION AGGREGATE YEAR-TO-DATE	07-22-94	825.04
World Wide Travel 2228 Cottdonale Lane Little Rock, AR 72202 SEE ATTACHED DETAIL	Press Receivable OCCUPATION AGGREGATE YEAR-TO-DATE	08-01-94	2,428.66
World Wide Travel 2228 Cottdonale Lane Little Rock, AR 72202 SEE ATTACHED DETAIL	Press Receivable OCCUPATION AGGREGATE YEAR-TO-DATE	08-04-94	711.76
Southwestern Bell 1651 N. Collins Blvd. Richardson, TX 75080	Refund of overpayment OCCUPATION AGGREGATE YEAR-TO-DATE	08-09-94	6,283.13
Southwestern Bell 1651 N. Collins Blvd. Richardson, TX 75080	Refund of overpayment OCCUPATION AGGREGATE YEAR-TO-DATE	08-09-94	3,570.19
SUBTOTAL OF RECEIPTS THIS PAGE (optional)			57,835.53
TOTAL THIS PERIOD (last page this line number only)			

5  
9  
1  
0  
7  
0  
5

ATTACHED  
56  
PAGE



**WORTHEN**  
 NATIONAL BANK  
 OF ARKANSAS  
 LITTLE ROCK, ARKANSAS 72203  
 MEMBER FDIC

DATE August 9 19 94

ACCOUNT NUMBER

DEPOSIT TO 00-8941-916-2

Checks and other items are received for deposit subject to the terms and conditions of the bank's deposit account contract and funds availability policy. All transactions are subject to audit and verification.

NAME CLINTON/GORE '92 COMMITTEE

ADDRESS P.O. Box 2741

LITTLE ROCK, AR 72203

⑆5001⑆0000⑆

**CHECKING DEPOSIT**

	DOLLARS		CENTS
CURRENCY			
COIN			
CHECKS			
<u>SWBTRILL.com</u>	<u>16283</u>	<u>13</u>	
<u>SWBTRILL.com</u>	<u>3570</u>	<u>19</u>	
<b>TOTAL</b>	<b>9853</b>	<b>32</b>	
<b>TOTAL CASH RECEIVED</b>			
<b>TOTAL DEPOSIT</b>	<b>9853</b>	<b>32</b>	

34 OCCASIONALS 940 - LITTLE ROCK, AR 72203

3 68 0048

 Southwestern Bell Telecom

DATE	INVOICE NO. OR REFERENCE	AMOUNT	DISCOUNT	BALANCE
7-15-94	REFUND477637	6,283.13	.00	6,283.13
<b>TOTALS →</b>		6,283.13	.00	6,283.13

PLEASE DETACH STATEMENT BEFORE DEPOSITING CHECK

 Southwestern Bell Telecom

1881 N. Collins Blvd.  
Richardson, TX 75080

DATE  
7-27-94

CHECK NO.  
319730

**AMOUNT PAID**

PAY EXACTLY

SIX THOUSAND TWO HUNDRED AND EIGHTY THREE \*\*\*\*\*6,283.13 \*\*\*\*\* 137100 DOLLARS



BOATMEN'S  
BANK OF ROLLA  
ROLLA, MISSOURI 63401

PAY TO THE  
ORDER OF

CLINTON-GORE WINDDOWN  
124 W. CAPITOL, STE 1105  
LITTLE ROCK AR  
72203-

*Jelly R. White*  
SIGNATURE

⑆ 319730⑆ ⑆ 081502899⑆ ⑆ 0100993102⑆

250/0194173

6/20/94  
7:57:37

A/R Detail Inquiry  
Invoice Display

AR021002  
CURRENT

2161500 CLINTON-GORE WINDOW

LC	Order Number	Date	Job/Type	Check/PO Number	Inv/Pymt Amount	Balance
21	50900021	7/09/93	INVOICE		6505.00	6203.15
21	50900021	7/09/93	APL CR	DP0477637	2100.00	
21	50900021	7/16/93	PAYMENT	LD12355	720.00	
21	50900021	8/06/93	PAYMENT	REAPPLY	761.01	
21	50900021	8/06/93	PAYMENT	REAPPLY	1229.61	
21	50900021	8/06/93	PAYMENT	REAPPLY	1229.61	
21	50900021	8/06/93	PAYMENT	REAPPLY	1229.61	
21	50900021	8/06/93	PAYMENT	REAPPLY	1250.00	
21	50900021	8/06/93	PAYMENT	REAPPLY	591.00	
21	50900021	8/06/93	PAYMENT	REAPPLY	1678.49	
21	50900021	8/06/93	PAYMENT	REAPPLY	210.39	
21	50900021	8/06/93	PAYMENT	REAPPLY	125.02	

Key to Select    CMD18-Collections    CMD19-Cell Neg Mndr

ATTACHMENT  
Page 39 of 147  
4

INFORMATION DOCUMENTS, INC. - LITTLE ROCK, AR 72203



**WORTHEN**  
NATIONAL BANK  
OF ARKANSAS  
LITTLE ROCK, ARKANSAS 72203  
MEMBER FDIC

DATE 2-17 19 94

ACCOUNT NUMBER

DEPOSIT TO 00-8941-916-2

Checks and other items are returned for deposit to the name and address of the bank's account unless otherwise noted and such authority given. All transactions are subject to audit and verification.

NAME Clinton Gore 92 Committee

ADDRESS P.O. Box 2741

Little Rock, AR 72203

### CHECKING DEPOSIT

	AMOUNT	CENTS
CURRENCY		
CASH		
CHECKS		
<u>Sub Bill</u>	<u>353</u>	<u>87</u>
<b>TOTAL</b>	<b>353</b>	<b>87</b>
<small>LESS CASH RECEIVED</small>		
<b>TOTAL DEPOSIT</b>	<b>353</b>	<b>87</b>

⑆5001-0000⑆

950/019

ATTACHMENT

Page

4  
40 of 147

SEQUENCE # 031122  
DRAFT ISSUE DATE 02/07/94  
TOTAL DRAFT AMOUNT \$353.87\*\*  
ACCOUNT/SERVICE ORDER NUMBER 314 231 0318  
DESCRIPTION:  
314 231 0318 194 DISK OVERAGE REFUND.

050/0194

Non-Neotiable Draft Stub - Detach and Retain for Your Rec

← DETACH CHECK ALONG THIS PERFORATION →

 <b>Southwestern Bell Telephone</b> DISK OVERAGE REFUND. 314 231 0318		Payable through Savings & Loan of Arka Arka, Missouri	NO. 38031122
To the order of CLINTON-GORE 92 ATTN SHANNON P O BOX 2741 LITTLE ROCK, AR 72203		Date 02/07/94	Void after one year from draft date Pay this amount \$353.87** SBT Company <i>James M. Vaughan</i> Authorized Signature

⑆ 306756466⑆ ⑆ 081502899⑆ 0100996506⑆

ATTACHMENT

Page 41

of 147

4

95970194

EXHIBIT C

CLINTON/GORE '92 COMMITTEE  
STATE DATED CHECKS

Per FEC

Per Committee

57,175 State Dated Checks

57,174.91

<18,674> Outstanding

< 9,761.82> Cleared

<26,057> Void

<22,772.94> Void w\ reason

< 8,560> Reissued

< 253> Cleared

< 3,631> GELAC

<32,534.76> No longer state

<57,175> Total State Dated

24,640.15

Total State Dated

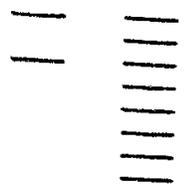
950/01940.2

ATTACHMENT

Page 43 of 171



**WORTHEN**  
 NATIONAL BANK  
 OF ARKANSAS  
 P.O. BOX 1681  
 LITTLE ROCK, AR 72203  
 (501) 375-2265



CLINTON-GORE '92 COMMITTEE  
 PAYROLL ACCOUNT  
 PO BOX 615  
 LITTLE ROCK AR 72203-0615

Account Number: 008941-915  
 Statement Date: 11/13/92  
 Page Number: 1

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\* SPECIAL HANDLING

PREVIOUS BALANCE	315,431.43	
+ 1 CREDITS	98,000.00	
- 299 DEBITS	202,774.66	
- SERVICE CHARGES	.00	
+ INTEREST PAID	.00	
ENDING BALANCE	210,656.77	YTD INTEREST PAID .00

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

DEPOSITS AND OTHER CREDITS

DATE	AMOUNT	TRANSACTION DESCRIPTION
11/09	98,000.00	CUSTOMER DEP.

CHECKS

DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
11/09	165	1,084.96	11/09	2857*	1,007.5
11/12	1532*	661.68	11/09	2858	1,797.5
11/10	1807*	1,188.76	11/10	2860*	707.8
11/12	1832*	712.87	11/10	2864*	884.7
11/12	1857*	1,653.89	11/12	2866*	778.3
11/13	1992*	328.35	11/12	2868*	764.0
11/12	2069*	661.68	11/13	2869	1,110.9
11/12	2085*	779.23	11/09	2870	803.1
11/09	2183*	1,617.98	11/12	2871	767.5
11/12	2265*	1,364.39	11/12	2872	595.4
11/09	2326*	1,080.38	11/12	2873	1,084.6
11/10	2328*	1,188.76	11/12	2874	712.8
11/12	2352*	712.87	11/12	2881*	1,121.4
11/10	2376*	707.04	11/12	2882*	672.2
11/12	2379*	1,653.89	11/13	2892*	1,649.3
11/10	2510*	281.37	11/10	2893*	707.0
11/12	2527*	1,512.77	11/12	2896*	1,653.8
11/12	2556*	692.67	11/09	2897	797.3
11/10	2582*	1,027.61	11/13	2906*	707.8
11/12	2590*	661.68	11/09	2920*	1,034.0
11/13	2598*	73.88	11/12	2924*	1,084.1
11/10	2645*	346.90	11/12	2926*	586.6
11/13	2669*	1,000.00	11/10	2928*	129.4
11/10	2673*	1,742.25	11/10	2930*	894.9
11/12	2675*	567.71	11/09	2932*	387.6
11/12	2678*	124.32	11/12	2943*	941.5
11/10	2698*	1,120.67	11/13	2947*	1,026.7
11/10	2712*	1,617.98	11/13	2950*	1,162.3
11/13	2733*	1,856.50	11/10	2951	412.6
11/09	2766*	850.41	11/13	2952	1,448.6
11/12	2797*	1,364.39	11/13	2958*	996.6
11/12	2800*	1,110.96	11/13	2964*	1,076.2
11/12	2823*	930.56	11/09	2967*	1,742.2
11/09	2850*	1,948.35	11/13	2972*	409.5
11/09	2853*	1,080.38	11/12	2979*	941.5
11/10	2854	674.96	11/10	2982*	1,782.2
11/10	2855	1,188.76	11/10	2983	808.8

MEMBER #:

ATTACHMENT

Page 44 of 147

95070194

252.89 +  
 387.68 +  
 1,538.47 +  
 313.1 +  
 304.55 +  
 1,057.29 +  
 1,188.31 +  
 346.90 +  
 1,103.79 +  
 542.22 +  
 913.91 +  
 514.08 +  
 50.00 +  
 942.97 +  
 305.63 +

9,761.82 0  
 1,896.60 +  
 6,380.00 +  
 2,700.00 +  
 2,000.00 +  
 2,000.00 +  
 2,590.04 +

911.08  
 248.78 +  
 2.08 +  
 187.53 +  
 1,920.27 +  
 200.00 +  
 240.00 +  
 75.00 +  
 165.00 +  
 250.00 +  
 250.00 +  
 200.00 +  
 120.00 +  
 560.00 +  
 76.56 +

32,534.76 \*

57,174.91 +  
 32,534.76 -  
~~1,985.00~~ -  
~~22,055.13~~ \*  
 34,119.53

ATTACHMENT

Page

45

of

47

957701924

Director's 1972 General Committee  
 Schedule of State-Related Checks Remaining After Response to IIR

Created by: tom 8-2-94  
 Last Modified: 8-2-94

Page	Account	Date	Number	Amount	Requisition Per OIG Response to the IIR	Re-issued Check #	Re-issued Date	Amount	Revised Amount	Comments
1	State Bank	21-Jul-92	1093	\$251.86	Check Cleared					Amount not provided
2	William Revolver	24-Aug-92	2135	\$200.00	check released	12703	09-Dec-93	1200.00		no state to show ch cleared
3	Madison by Jack	25-Feb-92	10077	\$79.00	check released	12064				no copy of ch, hasn't cleared
4	McLure J. O'Neil	31-Aug-92	1000	\$1,101.79	check released	4005				no ch copy
5	Ray Chapman	14-Aug-92	1277	\$1,524.46	check released	4366				no ch copy, no state.
6	Clinton Gray	29-Aug-92	1007	\$913.91	check released	4704				no ch copy
7	Orrel L. Hamilton	15-Oct-92	2207	\$1,100.31	check released	4703				no ch copy
8	Alexander R. (MFR)	15-Oct-92	2275	\$346.90	check released	3204				no ch copy, no state.
9	Jamie F. Kearney	02-Nov-92	2043	\$207.60	check released	4006				no ch copy
10	John J. Ruddy	02-Nov-92	2043	\$1,077.29	check released	4702				no ch copy
11	Nicholl L. Alpertstein	06-Nov-92	2046	\$204.55	check released	4702				no ch copy
12	Madelle M. Day	12-Nov-92	2025	\$314.00	check released	4008				no ch copy
13	Pen J. Nelson	18-Dec-92	4245	\$422.22	check released	4007				no ch copy
14	Thomas C. Walton	15-Jan-93	4329	\$113.15	check released	4701				no ch copy, no state.
15	Jerry Ann Paul	24-Aug-92	4074	\$200.00	CHK VOIDED					no ch copy, no vendor state
16	Lillian Hall	21-Jul-92	1080	\$2,700.00	CHK VOIDED					no ch copy, no vendor state
17	Bill Sherman	03-Aug-92	1240	\$600.00	CHK VOIDED					no ch copy, no vendor state
18	Baron Sullivan	15-Aug-92	1605	\$2,000.00	CHK VOIDED					no ch copy, no vendor state
19	Hamilton Brothers, Inc.	18-Aug-92	1715	\$2,000.00	CHK VOIDED					no ch copy, no vendor state
20	Lillian Hall	25-Aug-92	2250	\$6,200.00	CHK VOIDED					no ch copy, no vendor state
21	Stuart Bair	01-Sep-92	2639	\$160.00	CHK VOIDED					no ch copy, no vendor state
22	Stuart Bair	01-Sep-92	2640	\$945.00	CHK VOIDED					no ch copy, no vendor state
23	Stuart Bair	01-Sep-92	2641	\$480.00	CHK VOIDED					no ch copy, no vendor state
24	William McDuffy	04-Sep-92	2727	\$560.00	CHK VOIDED					no ch copy, no vendor state
25	Perry Orchard	09-Sep-92	3206	\$120.00	CHK VOIDED					no ch copy, no vendor state
26	Taylor Personal	10-Sep-92	3117	\$76.56	CHK VOIDED					no ch copy, no vendor state
27	Frank Atchley	18-Sep-92	4206	\$220.00	CHK VOIDED					no ch copy, no vendor state
28	Holiday Inn	23-Sep-92	4219	\$1,096.60	CHK VOIDED					no ch copy, no vendor state

ATTACHMENT  
 Page 46 of 147

5 1 4 6 1 0 7 0 5 0

Clinton/Demo '92 General Qualifier  
Schedule of Multi-Dated Checks Remitting After Response to DCA

Created by: JMB 8-2-94  
Last Modified: 8-2-94  
ORDR: PRODUCE/DONOR

Payee	Account	Check Date	Check Number	Check Amount	Reimbursement Per Date Response to the LRA	Re-issued Check #	Re-issued Check Date	Re-issued Check Amount	Re-issued Check (Y/N)	Re-issued Check by	Re-issued Check Category	Comments
20 Jeremy Ben Pad	OTDA	21-Aug-92	4875	\$200.00	OVER VOIDED			\$200.00	✓			no cdk entry no vendor check
20 Northern Burlington	OTDA	20-Aug-92	5311	\$2,790.04	OVER VOIDED			\$2,790.04	✓			no cdk entry no vendor check
21 John Rennie	OTDA	16-Oct-92	4889	\$200.00	OVER VOIDED			\$200.00	✓			no cdk entry no vendor check
22 Jack Murray	OTDA	16-Oct-92	6914	\$300.00	OVER VOIDED			\$300.00	✓			no cdk entry no vendor check
23 Plus Services Ltd	OTDA	31-Oct-92	6933	\$811.00	OVER VOIDED			\$811.00	✓			no cdk entry no vendor check
24 John Rennie	OTDA	31-Oct-92	6938	\$200.00	OVER VOIDED			\$200.00	✓			no cdk entry no vendor check
25 American International	OTDA	15-Nov-92	9171	\$184.76	OVER VOIDED			\$184.76	✓			no cdk entry no vendor check
26 Northern Burlington	OTDA	23-Nov-92	9712	\$2.00	OVER VOIDED			\$2.00	✓			no cdk entry no vendor check
27 Anthony Adams	OTDA	20-Nov-92	9772	\$145.00	OVER VOIDED			\$145.00	✓			no cdk entry no vendor check
28 Renee Baur	OTDA	01-Dec-92	1461	\$30.00	OVER VOIDED			\$30.00	✓			no cdk entry no vendor check
29 Renee Baur	OTDA	01-Dec-92	1462	\$130.00	OVER VOIDED			\$130.00	✓			no cdk entry no vendor check
40 Kevin Waring	OTDA	15-Jan-92	2774	\$130.00	OVER VOIDED			\$130.00	✓			no cdk entry no vendor check
41 Jack Murray	OTDA	16-Oct-92	4438	\$75.00	OVER VOIDED			\$75.00	✓			no cdk entry no vendor check
42 Anthony Pilla	OTDA	16-Aug-92	3695	\$421.21	OVER VOIDED			\$421.21	✓			no cdk entry no vendor check
43 Evelyn Ruppert-Burton	OTDA	14-Aug-92	1497	\$187.53	OVER VOIDED			\$187.53	✓			no cdk entry no vendor check
44 April R. Holladay	OTDA	14-Aug-92	1795	\$1,920.27	OVER VOIDED			\$1,920.27	✓			no cdk entry no vendor check
45 Donna K. Pelterson	OTDA	03-Dec-92	4104	\$107.92	OVER VOIDED			\$107.92	✓			no cdk entry no vendor check
46 Frank Appleby	OTDA	06-Aug-92	1319	\$440.00	Lettor sent to Payee			\$440.00				Overruled void
47 Renee Baur	OTDA	17-Aug-92	1708	\$400.00	Lettor sent to Payee			\$400.00				Overruled void
48 Renee Baur	OTDA	15-Aug-92	1817	\$4.00	Lettor sent to Payee			\$4.00				Overruled void
49 Mary Engelhardt	OTDA	13-Aug-92	1505	\$130.00	Lettor sent to Payee			\$130.00				Overruled void
50 Confort Wisconsin	OTDA	23-Aug-92	2228	\$1,200.00	Lettor sent to Payee			\$1,200.00				Overruled void
51 Mary Confort	OTDA	09-Sep-92	2287	\$720.00	Lettor sent to Payee			\$720.00				Overruled void
52 Ted Ort	OTDA	11-Sep-92	2478	\$175.00	Lettor sent to Payee			\$175.00				Overruled void
53 Paulson Plaza Hotel	OTDA	14-Sep-92	2720	\$704.00	Lettor sent to Payee			\$704.00				Overruled void
54 Paulson Plaza Hotel	OTDA	14-Sep-92	2721	\$979.32	Lettor sent to Payee			\$979.32				Overruled void
55 American Express	OTDA	15-Sep-92	2915	\$80.00	Lettor sent to Payee			\$80.00				Overruled void
56 Martin McDermott	OTDA	18-Sep-92	4212	\$330.00	Lettor sent to Payee			\$330.00				Overruled void
57 Paula Vermy	OTDA	24-Sep-92	4784	\$200.00	Lettor sent to Payee			\$200.00				Overruled void

9 1 1 4 6 1 0 1 0 5 0

City/Town/County '92 General Condition  
Schedule of Waiver-Related Checks Remaining After Payments to US

Created by: AMB 8-3-94  
Last Run: 8-3-94

ATTACHMENT 4  
Page 48 of 147

Payee	ACCOUNT	Check Type	Check Number	Check Amount	Disposition Per City Response To the DM	Re-issued Check #	Re-issued Check Date	Check Date	Amount (\$/k)	Subtotal By Category	Quantity
50 Edward Cook	OTM	20-Aug-92	8003	\$1,238.00	Letter sent to Payee				\$1,238.00		Unreconciled
50 Dale Prole	OTM	06-Oct-92	8094	\$200.00	Letter sent to Payee				\$200.00		Unreconciled
60 Orie Amore	OTM	21-Oct-92	7410	\$165.00	Letter sent to Payee				\$165.00		Unreconciled
61 French Appleby	OTM	22-Oct-92	7627	\$185.00	Letter sent to Payee				\$185.00		Unreconciled
62 French Appleby	OTM	26-Oct-92	8042	\$275.00	Letter sent to Payee				\$275.00		Unreconciled
63 Tracy Bergery	OTM	27-Oct-92	8068	\$200.00	Letter sent to Payee				\$200.00		Unreconciled
64 Jack Allverman	OTM	20-Oct-92	6396	\$22.00	Letter sent to Payee				\$22.00		Unreconciled
65 French Appleby	OTM	21-Oct-92	8618	\$165.00	Letter sent to Payee				\$165.00		Unreconciled
66 Eric Arman	OTM	21-Oct-92	8412	\$160.00	Letter sent to Payee				\$160.00		Unreconciled
67 Eric Arman	OTM	04-Nov-92	8728	\$196.00	Letter sent to Payee				\$196.00		Unreconciled
68 Ted RODOLFINI	OTM	04-Nov-92	8445	\$27.24	Letter sent to Payee				\$27.24		Unreconciled
69 Pauline Orve	OTM	10-Nov-92	8927	\$75.00	Letter sent to Payee				\$75.00		Unreconciled
70 Susan Proffy	OTM	12-Nov-92	9066	\$122.06	Letter sent to Payee				\$122.06		Unreconciled
71 Lynn R. Hornold	OTM	12-Nov-92	9090	\$456.00	Letter sent to Payee				\$456.00		Unreconciled
72 Sara Parkman	OTM	12-Nov-92	9135	\$5.16	Letter sent to Payee				\$5.16		Unreconciled
73 Winton-dolan Inc & Partners	OTM	25-Nov-92	9016	\$472.00	Letter sent to Payee				\$472.00		Unreconciled
74 Perry Osborne	OTM	02-Dec-92	9079	\$501.75	Letter sent to Payee				\$501.75		Unreconciled
75 Tom Wickham	OTM	14-Jan-93	10322	\$441.07	Letter sent to Payee				\$441.07		Unreconciled
76 J. Michael Sullivan, Payrollmaster	OTM	14-Feb-93	10459	\$9.92	Letter sent to Payee				\$9.92		Unreconciled
77 French Appleby	OTM	27-Mar-92	1077	\$200.00	Letter sent to Payee				\$200.00		Unreconciled
78 French Appleby	OTM	08-Aug-92	1220	\$25.00	Letter sent to Payee				\$25.00		Unreconciled
79 French Appleby	OTM	08-Aug-92	1221	\$100.00	Letter sent to Payee				\$100.00		Unreconciled
80 French Appleby	OTM	08-Aug-92	1222	\$125.00	Letter sent to Payee				\$125.00		Unreconciled
81 Michael McDermott	OTM	08-Aug-92	1276	\$125.00	Letter sent to Payee				\$125.00		Unreconciled
82 Ralfin Prole	OTM	01-Sep-92	1454	\$175.00	Letter sent to Payee				\$175.00		Unreconciled
83 Stranham Schurr	OTM	01-Sep-92	1541	\$150.00	Letter sent to Payee				\$150.00		Unreconciled
84 Perry Osborne	OTM	08-Sep-92	1779	\$75.00	Letter sent to Payee				\$75.00		Unreconciled
85 Perry Osborne	OTM	08-Sep-92	1780	\$25.00	Letter sent to Payee				\$25.00		Unreconciled
86 John Prole	OTM	10-Aug-92	2023	\$125.00	Letter sent to Payee				\$125.00		Unreconciled
87 Steve Paur	OTM	11-Aug-92	2069	\$125.00	Letter sent to Payee				\$125.00		Unreconciled

950701.61997

15

City/County '92 General Qualifier  
Schedule of State-Ord. Checks Resulting After Response to LHM

Created by: RAN 8-2-94  
Last Modified: 8-2-94

Payee	ACCOUNT	Check Date	Check Number	Check Amount	Allocation Per Data Response to the LHM	Re-issued Check #	Re-issued Check Date	Re-issued Check Amount	Re-issued Check Amount (Total)	Original by	Original Category	Comments
88 John Bunn	72N	11-Aug-92	2006	\$100.00	Letter sent to Payee			\$100.00				Unusual void
89 Lewis Brownlee	72N	12-Aug-92	2152	\$120.00	Letter sent to Payee			\$120.00				Unusual void
90 Cindy Walker	72N	14-Aug-92	2207	\$120.00	Letter sent to Payee			\$120.00				Unusual void
91 Cindy Walker	72N	15-Aug-92	2317	\$200.00	Letter sent to Payee			\$200.00				Unusual void
92 Elita Franklin	72N	15-Aug-92	2308	\$75.00	Letter sent to Payee			\$75.00				Unusual void
93 Eric Arnesen	72N	17-Aug-92	2308	\$75.00	Letter sent to Payee			\$75.00				Unusual void
94 Eric Arnesen	72N	20-Aug-92	2477	\$175.00	Letter sent to Payee			\$175.00				Unusual void
95 Nancy Bowling	72N	24-Aug-92	2531	\$175.00	Letter sent to Payee			\$175.00				Unusual void
96 Charlie Brown	72N	12-Aug-92	2605	\$75.00	Letter sent to Payee			\$75.00				Unusual void
97 Lancia Kling	72N	14-Aug-92	2745	\$125.00	Letter sent to Payee			\$125.00				Unusual void
98 Frank Appleby	72N	18-Aug-92	2878	\$125.00	Letter sent to Payee			\$125.00				Unusual void
99 Wendy Griffith	72N	09-Oct-92	3812	\$75.00	Letter sent to Payee			\$75.00				Unusual void
100 Robert Schiller	72N	22-Oct-92	4753	\$75.00	Letter sent to Payee			\$75.00				Unusual void
101 Frank Appleby	72N	23-Oct-92	4769	\$100.00	Letter sent to Payee			\$100.00				Unusual void
102 Oella Arnesen	72N	26-Oct-92	4918	\$125.00	Letter sent to Payee			\$125.00				Unusual void
103 Bala Davis	72N	26-Oct-92	4919	\$125.00	Letter sent to Payee			\$125.00				Unusual void
104 Frank Appleby	72N	26-Oct-92	4920	\$125.00	Letter sent to Payee			\$125.00				Unusual void
105 Leo Douglas	72N	20-Oct-92	5197	\$100.00	Letter sent to Payee			\$100.00				Unusual void
106 Frank Appleby	72N	31-Oct-92	5282	\$75.00	Letter sent to Payee			\$75.00				Unusual void
107 Leo Douglas	72N	31-Oct-92	5289	\$75.00	Letter sent to Payee			\$75.00				Unusual void
108 JILL L. Alger	72N	14-Aug-92	1378	\$942.97	Letter sent to Payee			\$942.97				Unusual void
109 JILL L. Alger	72N	04-Nov-92	3774	\$205.63	Letter sent to Payee			\$205.63				Unusual void
110 Kathleen M. Reynolds	72N	04-Nov-92	3801	\$21.25	Letter sent to Payee			\$21.25				Unusual void
111 Jeffrey S. Rodgers	72N	04-Nov-92	3809	\$91.25	Letter sent to Payee			\$91.25				Unusual void
112 Jeffrey S. Rodgers	72N	17-Nov-92	3924	\$287.68	Letter sent to Payee			\$287.68				Unusual void

TOTAL \$33,543.91

\$33,543.91 \$33,543.91

ATTACHMENT  
Page 49 of 151

9

8 1 6 4 6 1 0 7 6 5 6

Client/Owner '97 General Qualities  
 Schedule of Multi-Dated Checks Resulting After Response to IIR

Response #1  
 Page 5 of 5

Created by: 400 8-1-94      Last Modified: 8-1-94  
 GRID: MWDGLOUTDOPDPR

Type	ACCOUNT	Date	Number	Amount	Disposition	Per Date Response	To the User	Re-issued	Re-issued	Date	Amount	Re-issued	Comments
								Date	Date	Cleared	(Scale)	Occupancy	

GRID-General Qualities Operating Acct.  
 MWD-General Qualities Per Date Account  
 MWD-General Qualities Payroll Account

4  
 177

95970194



**WORTHEN**  
 NATIONAL BANK  
 OF ARKANSAS  
 P.O. BOX 1681  
 LITTLE ROCK, AR 72203  
 (501) 375-2265

CLINTON - GORE 92 COMMITTEE  
 GENERAL ACCT  
 PO BOX 615  
 LITTLE ROCK AR 72203-0615

Account Number  
 008941-916-2  
 Statement Date  
 07/27/92  
 Page Number  
 1

18 99-9999999  
 SPECIAL HANDL

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\*

PREVIOUS BALANCE	54,641,584.75	
+ 0 CREDITS	.00	
- 19 DEBITS	58,573.69	
- SERVICE CHARGES	.00	
+ INTEREST PAID	.00	YTD INTEREST PAID
ENDING BALANCE	54,583,008.66	.00

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

CHECKS

DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
07/27	1003	2,598.04	07/27	1051*	210.00
07/27	1004	1,060.00	07/27	1081*	270.00
07/27	1010*	150.00	07/27	1086*	150.00
07/27	1014*	390.00	07/27	1089*	10,000.00
07/27	1024*	270.00	07/27	1091*	1,403.15
07/27	1026*	210.00	07/27	1092	5,802.00
07/27	1028*	150.00	07/27	<del>1093</del>	<del>252.86</del>
07/27	1030*	120.00	07/27	1094	5,000.00
07/27	1037*	425.00	07/27	1095	12,000.00

OTHER DEBITS

DATE	AMOUNT	TRANSACTION DESCRIPTION
07/27	18,114.94	ZBA DEBIT
		TRANSFER TO CHECKING ACCT 0086075402

\*\*\*\*\* CUSTOMER BALANCE SUMMARY \*\*\*\*\*

DATE	BALANCE	DATE	BALANCE
07/24	54,641,584.75	07/27	54,583,008.66

ATTACHMENT

Page 52 of 147

950709

025970194011

CLINTON - GORE '92 COMMITTEE

PHONE (601) 872-1882  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

P.O. - 6701

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

1093

*Two hundred fifty - two and 98/100*

*252.88*

*11 252.88*

JULY 23, 1992  
DATE

PAY TO THE ORDER OF  
Radio Shack

TWO SIGNATURES REQUIRED

*David White*

ATTACHMENT

Page 53 of 177

⑆001093⑆ ⑆082000073⑆ ⑆08941⑆ 916⑆ 2⑆ ⑆000025288⑆



**WORTHEN**  
 NATIONAL BANK  
 OF ARKANSAS  
 P.O. BOX 141  
 LITTLE ROCK, AR 72203  
 (501) 375-2263

CLINTON-GORE '92 COMMITTEE  
 PAYROLL ACCOUNT  
 PO BOX 2741  
 LITTLE ROCK AR 72203

ACCOUNT NUMBER 008941-915-9  
 STATEMENT DATE 01/31/94  
 PAGE NUMBER 1

8 SPECIAL HANDL

WORTHEN'S VISA OR MASTERCARD OFFERS JUST ABOUT THE LOWEST INTEREST RATE AROUND - ONLY 8%! -APPLY TODAY AT THE WORTHEN NEAREST YOU. OR CALL 375-BANK OR 1-800-477-2264.

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\*

PREVIOUS BALANCE		.00	
+ 7 CREDITS	7,665.62		
- 8 DEBITS	7,665.62		YTD INTEREST PAID
- SERVICE CHARGES	.00		.00
+ INTEREST PAID	.00		
ENDING BALANCE	.00		

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

DEPOSITS AND OTHER CREDITS

DATE	AMOUNT	TRANSACTION DESCRIPTION
01/03	1,210.04	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
01/05	669.54	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
01/11	387.68	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
01/13	1,210.04	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
01/14	1,154.37	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
01/24	669.54	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
01/31	2,364.41	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162

CHECKS

DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
01/03	4795	1,210.04	01/05	4819*	669.54
01/13	4804*	1,210.04	01/14	4826*	1,154.37
01/11	4806*	387.68	01/24	4827	669.54
01/31	4811*	1,210.04	01/31	4830*	1,154.37

\*\*\*\*\* CUSTOMER BALANCE SUMMARY \*\*\*\*\*

DATE	BALANCE	DATE	BALANCE
12/31	.00	01/13	.00
01/03	.00	01/14	.00
01/05	.00	01/24	.00
01/11	.00	01/31	.00

ATTACHMENT 4  
 Page 54 of 147

MEMBER FDIC MEMBER WORTHEN BANKING CORPORATION

0520 / 0194112

CLINTON - GORE '92 COMMITTEE  
PAYROLL ACCOUNT  
PHONE (501) 372-1882  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

4808

12/1/93

AMOUNT 387.68

PAY TO THE ORDER OF three hundred eighty seven dollars and 68/100  
076135540 022 0250 0292 22 07

Janis Kearney  
2217 Vancouver Dr.  
Little Rock, AR 72204

*Ellen Johnson*

⑈004808⑈ ⑆082000073⑆ 008941⑈915⑈9⑈ ⑈0000038768⑈

4  
ATTACHMENT  
56 of 177  
Page

8 0 0 4 6 1 0 7 0 5 6



**WORTHEN**  
 NATIONAL BANK  
 OF ARKANSAS  
 P.O. BOX 1681  
 LITTLE ROCK, AR 72203  
 (501) 375-2265

— —  
 — —  
 — —

CLINTON-GORE '92 COMMITTEE  
 PAYROLL ACCOUNT  
 PO BOX 2741  
 LITTLE ROCK AR 72203

Account Number  
 008941-915-9  
 Statement Date  
 02/19/93  
 Page Number  
 1

26 SPECIAL HANDL

EFFECTIVE MARCH 1, 1993, NEW SECURITY CODE TO ACCESS 24-HOUR  
 TELEPHONE BANKING. PLEASE SEE ENCLOSURE FOR SECURITY CODE  
 & MORE INFORMATION ON THE CONVENIENCE OF WORTHEN'S 375-BANK.

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\*

PREVIOUS BALANCE		.00	
+ 3 CREDITS	15,653.22		
- 26 DEBITS	15,653.22		
- SERVICE CHARGES	.00		
+ INTEREST PAID	.00		YTD INTEREST PAID
ENDING BALANCE	.00		.00

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

DEPOSITS AND OTHER CREDITS

DATE	AMOUNT	TRANSACTION DESCRIPTION
02/16	4,837.28	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
02/17	6,102.79	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
02/18	4,713.15	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162

CHECKS

DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
02/17	4367	502.71	02/18	4384	191.68
02/18	4068	1,269.34	02/16	4386*	397.71
02/17	4366*	1,538.46	02/16	4388*	672.67
02/17	4373*	1,344.04	02/16	4389	553.23
02/16	4374	463.99	02/17	4390	764.02
02/18	4375	856.86	02/16	4391	495.84
02/19	4376	528.22	02/18	4393*	323.13
02/18	4377	913.91	02/17	4394	311.83
02/17	4378	554.10	02/17	4397*	204.30
02/16	4379	913.91	02/16	4398	302.67
02/17	4380	883.33	02/16	4399	361.30
02/16	4382*	175.02	02/18	4400	490.73
02/16	4383	500.94	02/18	4401	138.52

\*\*\*\*\* CUSTOMER BALANCE SUMMARY \*\*\*\*\*

DATE	BALANCE	DATE	BALANCE
02/12	.00	02/17	.00
02/16	.00	02/18	.00

ATTACHMENT 4  
 Page 56 of 147

057070194

9 5 9 7 0 1 9 4 3 6 5

CLINTON - GORE '92 COMMITTEE

PAYROLL ACCOUNT  
PHONE (501) 372-1962  
P.O. BOX 8741  
LITTLE ROCK, AR 72203

WORTHERN NATIONAL BANK  
LITTLE ROCK, AR 72203  
61-7-820

4366

2/8/93

One thousand five hundred thirty eight & <sup>46</sup>/<sub>100</sub> amount 1538.46

PAY  
TO THE  
ORDER OF

Amy Chapman

Replac ck 1337 9/14/92

*[Handwritten Signature]*

⑆004366⑆ ⑆08200073⑆ 008941⑆915⑆9⑆ ⑆0000153846⑆

9 5 0 / 0 1 9 1 3 5 6

CLINTON - GORE '92 COMMITTEE  
PAYROLL ACCOUNT  
PHONE (501) 572-1992  
P.O. BOX 2741  
LITTLE ROCK, AR 72208

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

4393

02/16/93

\*\*\*\*\*313 DOLLARS AND 15 CENTS \*\*\*\*\*  
360700028 2607 AMOUNT 12-93 \*\*\*\*\*313.15

PAY  
TO THE  
ORDER OF

Thomas C. Walton  
11417 Ethan Allen Dr.  
Little Rock, AR

*W. Rufus Walton*

⑆004393⑆ ⑆082000073⑆ 008941⑆915⑆9⑆ ⑆0000031315⑆

ATTACHMENT  
Page 58  
of 147





**WORTHEN**  
 NATIONAL BANK  
 OF ARKANSAS  
 P.O. BOX 1681  
 LITTLE ROCK, AR 72203  
 (501) 375-2265

Account Number: 008941-915-  
 Statement Date: 11/30/93  
 Page Number: 1

CLINTON-GORE '92 COMMITTEE  
 PAYROLL ACCOUNT  
 PO BOX 2741  
 LITTLE ROCK AR 72203

14 SPECIAL HANDL

\*EFFECTIVE JANUARY 1, 1994, OVERDRAFT AND INSUFFICIENT FUNDS CHARGES WILL BE CHANGED TO \$19.50 PER ITEM.\*

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\*

PREVIOUS BALANCE		.00	
+	13 CREDITS	11,906.88	
-	14 DEBITS	11,906.88	
	SERVICE CHARGES	.00	YTD INTEREST PAID
+	INTEREST PAID	.00	.00
ENDING BALANCE		.00	

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

DEPOSITS AND OTHER CREDITS

DATE	AMOUNT	TRANSACTION DESCRIPTION
11/01	1,210.04	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/02	495.84	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/03	1,188.31	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/05	1,726.83	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/09	304.55	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/12	1,210.04	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/15	1,038.94	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/16	761.36	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/18	669.54	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/22	1,154.37	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/24	856.86	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/26	80.16	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162
11/30	1,210.04	ZBA CREDIT
		TRANSFER FROM CHECKING ACCT 0089419162

ATTACHMENT 4  
 Page 59 of 147

CHECKS

DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
11/01	4750	1,210.04	11/05	4794*	669.54
11/09	4762*	384.59	11/16	4796*	761.36
11/02	4763 560	495.84	11/18	4797	669.54
11/05	4769* 3233	1,037.29	11/15	4798	1,038.94
11/12	4774*	1,210.04	11/22	4799	1,154.37
11/03	4783* 2507	1,188.31	11/24	4800	856.86
11/30	4785*	1,210.04	11/26	4802*	80.16

950/0194307

CLINTON - GORE '92 COMMITTEE

PAYROLL ACCOUNT  
PHONE (601) 372-1802  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

NORTHERN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-620

4762

9/21/93

AMOUNT 304.55

PAY TO THE ORDER OF  
three hundred four dollars and 55/100  
Abigail L. Alperstein  
2222 I St. NW #212  
Washington, DC 20037

050113547 022 025E 0240 EE 05

*Ellen Johnson*

⑆001762⑆ ⑆082000073⑆ 008941⑆915⑆9⑆

⑆0000030455⑆

8 0 1 6 1 0 7 0 5 6

CLINTON - GORE '92 COMMITTEE

PAYROLL ACCOUNT  
PHONE (501) 872-1002  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
61-7-830

4768

9/27/93

AMOUNT 1,057.29

PAY one thousand fifty seven dollars and 29/100

TO THE  
ORDER OF John Toohy  
5804 Herton Court  
Alexandria, VT 22311

080104687 021 0268 0291 22 08

*James Johnson*

⑈001769⑈ ⑆08200073⑆ 008941⑈915⑈9⑈ ⑆0000105729⑆

ATTACHMENT  
Page 4 of 117

6 5 9 4 6 1 0 7 5 6 6

9 5 7 0 / 0 1 9 4 . 0

4783

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203

81-7-229  
1111R  
277

10/14/93

NOV  
AMOUNT 1,188.31

CLINTON - GORE '92 COMMITTEE

PAYROLL ACCOUNT  
PHONE (501) 572-1902  
P.O. BOX 5741  
LITTLE ROCK, AR 72203

PAY one thousand one hundred eighty eight dollars and 31/100 to the order of Carol Hamilton

Carol Hamilton

*Allen Johnson*

⑆000118831⑆

ATTACHMENT

Page 62 of 147



WORTHEN NATIONAL BANK OF ARKANSAS P.O. BOX 1681 LITTLE ROCK, AR 72203 (301) 375-2263

CLINTON-GORE '92 COMMITTEE PAYROLL ACCOUNT PO BOX 2741 LITTLE ROCK AR 72203

ACCOUNT NUMBER 008941-915-9 STATEMENT DATE 12/31/93 PAGE NUMBER 1

18 SPECIAL HANDL

PLEASE READ THE ENCLOSED INFORMATION ON REVISED DEPOSIT ACCOUNT FEES AND SERVICE CHARGES EFFECTIVE FEBRUARY 1, 1994. FOR MORE INFORMATION CALL 375-BANK.

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\*

Table with 4 columns: Description, Amount, YTD Interest Paid, Ending Balance. Rows include Previous Balance, Credits, Debits, Service Charges, Interest Paid, and Ending Balance.

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

DEPOSITS AND OTHER CREDITS

Table with 3 columns: DATE, AMOUNT, TRANSACTION DESCRIPTION. Lists ZBA CREDIT transfers from 12/07 to 12/30.

CHECKS

4784 Replaced 9-29-92 check 1907 to K. Denney

Table with 4 columns: DATE, CHECK NO., AMOUNT, DATE, CHECK NO., AMOUNT. Lists checks from 12/08 to 12/14 and 12/17 to 12/30.

95070194

ATTACHMENT  
Page 64 of 71

**CLINTON-GORE '92 COMMITTEE**

PAYROLL ACCOUNT  
PHONE (501) 372-1892  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
61-7-820

41

12/1/93

AMOUNT 1103.79

PAY one thousand one hundred three dollars and 79/100

TO THE  
ORDER OF

Matt O'Neill  
23 Cross St.  
Charlestown, MA 02129

*Ellen Johnson*

⑈004805⑈ ⑆082000073⑆ 008941-915-9⑈ ⑈0000110379⑈

2004 610700

CLINTON - GORE '92 COMMITTEE

PAYROLL ACCOUNT  
PHONE (601) 372-1992  
P.O. BOX 5741  
LITTLE ROCK, AR 72203

WOMENS NATIONAL BANK  
LITTLE ROCK, AR 72203  
91-7-830

4784

000021 8057 010  
1305 007169788  
913.91

PAY nine hundred thirteen dollars and 91/100  
TOTAL  
ORDER Kirsten Danney

⑆0001784⑆ ⑆082000073⑆ 008941⑆915⑆9⑆ ⑆0000091391⑆

*Kirsten Danney*

CLINTON - GORE '92 COMMITTEE

PAYROLL ACCOUNT  
PHONE (501) 572-1892  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

4808

12/9/93

AMOUNT 514.08

PAY five hundred fourteen dollars and 08/100

TO THE  
ORDER OF

Michelle Day  
66 Rockcrest  
Rockville, MD 20851

FEB 04 081577 00 0925 121493 69  
CASHED CHECK 514.08

*Allen Johnson*

⑆004808⑆ ⑆082000073⑆ 008941-915-9⑆

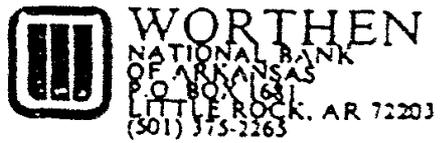
⑆0000051408⑆

04070194

ATTACHMENT

4

Page 66 of 147



CLINTON - GORE 92 COMMITTEE  
GENERAL ACCT  
PO BOX 2741  
LITTLE ROCK AR 72203

ACCOUNT NUMBER 008941-916-2  
STATEMENT DATE 06/30/94  
PAGE NUMBER 1

23 SPECIAL HANDL

WORTHEN'S VISA OR MASTERCARD OFFERS A LOW 8.5% RATE (APR)!  
APPLY TODAY AT THE WORTHEN LOCATION NEAREST YOU. OR  
CALL 375-BANK OR 1-800-477-2264 FOR AN APPLICATION.

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\*

PREVIOUS BALANCE	34,239.76	
+ 9 CREDITS	138,907.39	
- 23 DEBITS	43,223.18	
- SERVICE CHARGES	.00	YTD INTEREST PAID
+ INTEREST PAID	.00	.00
ENDING BALANCE	129,923.97	

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

DEPOSITS AND OTHER CREDITS

DATE	AMOUNT	TRANSACTION DESCRIPTION
06/01	379.80	CUSTOMER DEP.
6/01	30,276.93	CUSTOMER DEP.
6/08	129.00	CUSTOMER DEP.
6/08	375.53	CUSTOMER DEP.
6/21	15.51	CUSTOMER DEP.
6/23	4,724.08	CUSTOMER DEP.
6/28	100,000.00	CUSTOMER DEP.
06/29	2,294.78	CUSTOMER DEP.
06/30	711.76	CUSTOMER DEP.

CHECKS

DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
06/10	TRANSFER TO CD	7,687.45	06/15	12971	10,160.88
06/17	12814	95.80	06/15	12972	164.10
06/01	12943*	19.79	06/20	12973	1,080.93
06/01	12946*	12.58	06/15	12974	535.41
06/17	12948*	2.98	06/30	12977*	7,687.45
06/13	12964*	50.00	06/30	12979*	925.50
06/01	12965	8,133.39	06/30	12981*	1,785.58
06/03	12966	715.71	06/30	12985*	41.38
06/02	12967	1,080.93	06/30	12989*	394.00
06/02	12968	159.00	06/30	12993*	155.00
06/24	12969	666.84	06/30	12999*	877.53
06/06	12970	797.20			

\*\*\*\*\* CUSTOMER BALANCE SUMMARY \*\*\*\*\*

DATE	BALANCE	DATE	BALANCE
05/31	34,239.76	06/17	35,785.80
06/01	56,730.73	06/20	34,704.87
06/02	55,490.80	06/21	34,720.38
06/03	54,775.09	06/23	39,444.46
06/06	53,977.89	06/24	38,777.62
06/08	54,482.42	06/28	138,777.62
06/10	46,794.97	06/29	141,072.40
06/13	46,744.97	06/30	129,923.97
06/15	35,884.58		

ATTACHMENT 4  
Page 67 of 187

5  
05970194



STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #3374 was reissued with check #13181 dated December 16, 1994.  
This check cleared the bank on January 19, 1995

950/0194117

CLINTON - GORE '92 COMMITTEE

13181

Replacement Check for Check #3374 \$305.63

ATTACHMENT  
Page 4 of 10 c: 747

CLINTON - GORE '92 COMMITTEE

PHONE (501) 372-1682  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7 610

13181

December 16, 1994

\$305.63

DATE

AMOUNT

PAY  
TO THE  
ORDER  
OF

\*\*\*\*\*Three hundred five dollars and 63/100\*\*\*\*\*

Jill Alper  
1201 Braddock Road  
Apartment 515  
Alexandria, VA 22314

TWO SIGNATURES REQUIRED IF OVER \$2000.00

NOT NEGOTIABLE

00874 100116 70

JAN-24-95 TUE 17:03

UNION NATIONAL BANK

FAX NO. 5013751023

P. 02

EMIZ 01/24/95

IN ACCOUNT HISTORY

15.46.40 PAGE 3.

000-000-0000-0089419162

CNTL2 000 CNTL3 000 CNTL4 0000 ACCTN 0089419162

SERIAL NUMBER	POST DATE	BATCH NO.	SEQ NO.	TRAN CODE	AMOUNT	DESCRIPTION/SOURCE	RE DAY
13210	01/17	311	4254	0047	134.65CK	DDA CHECK SOURCE: 000000031104254	
13214	01/17	221	1133	0047	519.34CK	DDA CHECK SOURCE: 000000022101133	
13180	01/19	250	2996	0047	942.97CK	DDA CHECK SOURCE: 000000025002896	
13181	01/19	250	2895	0047	305.03CK	DDA CHECK SOURCE: 000000025002895	
13218	01/20	203	6455	0047	1050.71CK	DDA CHECK SOURCE: 000000020306456	
13219	01/20	202	23616	0047	505.00CK	DDA CHECK SOURCE: 000000020223616	
13189	01/23	215	24094	0047	1031.01CK	DDA CHECK SOURCE: 000000021524094	
13216	01/23	354	21305	0047	951.58CK	DDA CHECK SOURCE: 000000035421805	

PF1 - PAGE FWD

PF2 - PAGE BKWD

9.5 7 / 0 1 9 4

ATTACHMENT

Page

4  
71 cc 737

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #1278 was reissued with check #13180 dated December 16, 1994.  
This check cleared our account on January 19, 1995.

95070194170

ATTACHMENT

Page <sup>4</sup> 72 of 197



STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 4719 was void as there was a printer error. The check was never released from the accounting department and has been in the files.

95070194112

|

Account Number	Branch Name	Account Type	Balance	Interest	Overdraft
177102	Little Rock	Checking	1000.00	0.00	0.00
3316	Little Rock	Savings	1000.00	0.00	0.00

**CLINTON - GORE '92 COMMITTEE**  
 PHONE (501) 372-1992  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
 LITTLE ROCK, AR 72203

4719

*[Handwritten Signature]*

DATE

AMOUNT

TWO SIGNATURES REQUIRED IF OVER \$2000.00

PAY TO THE ORDER OF

⑆004719⑆ ⑆082000073⑆ 008941⑆916⑆2⑆

6 10 1 5 6

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Checks # 1088 and #2258 were voided and returned by the vendor as the Committee's accounts were paid in full.

050/0194/4

ATTACHEMENT

Page

76

of

4  
197

meritech

October 14, 1993

Cathleen Cavender,

Per our conversation of October 12, 1993, I am returning two outdated checks from the Clinton Committee and Clinton - Gore Committee. After checking the status of both accounts, I found all charges paid in full.

Listed is a breakdown of payments and the dates, on the following accounts:

Account	Payments	Date
217K096774	2302.83	6-8-92
217K096773	500.58	6-8-92
312443-1992	<u>1726.75</u>	4-23-92
Total	4530.84	

The check in the amount of \$6380.00 is also being returned. I couldn't find any telephone numbers for the press phones associated with this check. However, because there was no outstanding balance for this amount, I will have to conclude that this amount is paid in full.

If there are any additional questions, you may call our office on 312-750-6877, Monday through Friday, 8:30 - 5:00.

Sincerely,

*Margaret Thomas*  
Margaret Thomas for  
Stacy Harris  
Political Accounts

ATTACHMENT <sup>4</sup>  
Page 77 of 147

95070194075

CLINTON - GORE '92 COMMITTEE

2258

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
9680	82492	08/25/92	6,380.00	6,380.00
TRX DESCRIPTION: Phone Lines In Chicago				

*Illinois*

-----  
\$6,380.00

CLINTON - GORE '92 COMMITTEE

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
61-7-820

PHONE (501) 372-1892  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

2258

70194116

PAY  
TO THE  
ORDER  
OF

\*\*\*\*\*6,380 DOLLARS AND 00 CENTS

Illinois Bell  
200 West Madison St. 12th Fl  
Chicago, IL 60606

08/25/92

\$\*\*\*\*\*6380.00

TWO SIGNATURES REQUIRED IF OVER \$200.00

⑈002258⑈ ⑆082000073⑆ 008941-916-2⑈

ATTACHMENT  
Page 78 of 147

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
90	072292	07/22/92	2,700.00	2,700.00

TRX DESCRIPTION: Press Filing Phone In 11

4  
ATTACHMENT of 1177  
page

-----  
\$2,700.00

**CLINTON - GORE '92 COMMITTEE**  
PHONE (501) 372-1892  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
LITTLE ROCK, AR 72203  
817-820

1088

.....2,700 DOLLARS AND 00 CENTS

07 21/92 .....2,700.00

DATE AMOUNT

PAY  
TO THE  
ORDER  
OF

Illinois Bell  
200 West Madison St. 2th Fl  
Chicago, IL 60606

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*David Wilch*  
*W. O. [Signature]*

⑈001088⑈ ⑆082000073⑆ 008941⑈916⑈2⑈

1 0 6 1 0 7 0 5 6

STALE DATED CHECK  
Clinton - Gore '92 Committee

---

Ck. #1745 - HoAloha - Printer error.

Ck. #1685 - Karen Sullivan - Payee requested the committee to make all consulting checks payable to her company, HoAloha. This check was payment for the period 8-01-92 to 8-15-92 and was replaced with ck. #1783 dated 8-18-92.

95370124113

0-101-6150-000	Computer Equip. Le	8,000.00	8,000.00	8,000.00	174
000.00	W.P. Mal	000.00			0
0-101-6151-000	POC	25,000.00	25,000.00	25,000.00	8,000.00
000.00					15.0
0-101-6152-000	Gen				25,000.00

*printed error*

ATTACHMENT 4 of 10 Page 01 of 197

<p><b>CLINTON - GORE '92 COMMITTEE</b>          PHONE (501) 372-1882          P.O. BOX 2741          LITTLE ROCK, AR 72203</p>	<p><b>WORTHEN NATIONAL BANK</b>          LITTLE ROCK, AR 72203          81-7-800</p>	<p>1745</p>
<p>PAY TO THE ORDER OF</p>	<p>DATE</p>	<p>AMOUNT</p>
<p>TWO SIGNATURES REQUIRED IF OVER \$2000.00</p>		
<p>⑈001745⑈ ⑆082000073⑆ 00894⑈916⑈2⑈</p>		

6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
6342	081592	08/15/92	2,000.00	2,000.00

TRX DESCRIPTION: Western Cluster Leader

*New Voucher #  
6786*

*New ~~fund~~  
fund old Invoice*

ATTACHMENT  
Page 82 of 147

-----  
\$2,000.00

CLINTON - GORE '92 COMMITTEE

PHONE (501) 372-1802  
P.O. BOX 2741  
LITTLE ROCK, AR 72208

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
817-820

1685

08/15/92  
DATE

\*\*\*\*\*2,000.00  
AMOUNT

\*\*\*\*\*2,000 DOLLARS AND 00 CENTS

PAY  
TO THE  
ORDER Karen Sullivan  
OF 802 Mokapu Rd.

Kailua, HI 96734

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*David Willet*  
*W. DeFul...*

⑈001685⑈ ⑆08200073⑆ 008941⑈916⑈2⑈

0 0 4 6 1 0 7 0 5 6

10850  
CLINTON FOR PRESIDENT  
New Hire / Payroll Change Form

121  
6100

New Hire *ck 178!*  Title Change  
 Salary Change *QD*  Dept Transfer  
 Personal Info Change  Withholding Change

*6342*

Last Name: SULLIVAN (HUALOHA VENTURES-IAE)  
First Name: KAREN  
Middle Name: LAU  
Permanent Address: 802 HOKAPU RD. (  
KAILUA, HI 96734  
808, 254 - 2118  
8, 1, 92

*2000*  
*CKT 685*

*2000*  
*8/1/85*

End Date: 1 / 92 (if prior to 11/3/92)  
New Dept/Title: Field, Western Cluster Leader

Old Dept/Title: /

Payroll Status:  Salary Monthly Salary: \$ \_\_\_\_\_  
 Hourly Hourly Rate: \$ \_\_\_\_\_  
 consultant Monthly Fee: \$ 4,000.00

Social Sec No: 516 - 48 - 8355

Federal Tax ID: 99-0246367 (if consultant)

Emergency Contact: Paul Sullivan

Phone: 808, 254 - 2118

Signature: Karen L. Lau

Date: 8, 1, 92

*AP CAS 8/15*

APPROVALS

New Dept Head: *[Signature]*

ATTACHMENT  
Page 83 of 147

Old Dept Head: \_\_\_\_\_ (if transfer)

Budget Director: *[Signature]*

9507019431



STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 5311 was reissued to the vendor with check #12562. This check was returned to the Committee on October 8, 1993. The vendor noted on a postit that the rooms had already been paid and returned the check.

959/0194003

BILL CLINTON • AL GORE

August 6, 1993

Sherran Burlington

Vendor Name

870 Williston Rd

Address

So. Burlington, VT 05403

Send ✓ back  
to us we  
are paid in  
bill. 10-8-93  
cc

950/0194934

Dear Sir or Madam:

On September 20 1993, the Clinton-Gore '92  
Committee issued to you check # 5311 in the amount of  
\$ 2390.04 for Advance Hold Room.

In reviewing our records, we have discovered that this check is  
still outstanding. Please check your records to see if you have  
received this payment. If you have not received this check, please  
contact the accounting office so that we may issue a replacement  
check. If you are holding this check for any reason, please let us  
know.

Thank you for your assistance.

Thank you,

Cathleen Cavender

Cathleen Cavender  
Accounts Payable

ATTACHMENT 4

Page 86 of 147

Ref. No.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
51984	92492	09/24/92	2,390.04	2,390.04
DESCRIPTION: Advance Room & Tax For 1BC				

*STOP*

*Russell*  
*9/29/92*

2,390.04

<p><b>CLINTON GORE '92 COMMITTEE</b>          PHONE (501) 972-1882          P.O. BOX 2741          LITTLE ROCK, AR 72203</p>	<p><b>WORTHEN NATIONAL BANK</b>          LITTLE ROCK, AR 72203          5311          01-7-820</p>
<p>09/28/92 *****2,390.04</p> <p>*****2,390 DOLLARS AND 04 CENTS</p> <p>DATE AMOUNT</p>	
<p>PAY TO THE ORDER OF          Sheraton Burlington Hotel          870 Williston Rd          Burlington, VT 05403</p>	<p>TWO SIGNATURES REQUIRED IN OVER \$1000 OF</p>
<p><b>NOT NEGOTIABLE</b></p> <p>⑆00531⑆ ⑆08200073⑆ 008961⑆916⑆2⑆</p>	

4  
ATTACHMENT  
Page 87 of 197

9 5 0 1 0 1 9 4 5 5

Ref. . . . .	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
2E1084	92492	(09/24/92)	2,390.04	2,390.04
TRX DESCRIPTION: Advance Room & Tax For BC				

*these  
rooms have  
already been  
paid for.*

-----  
\$2,390.04

ATTACHMENT  
 Page 88 of 147  
 4

**CLINTON - GORE '92 COMMITTEE**

PHONE (501) 872-1092  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
 LITTLE ROCK, AR 72203  
 61-7-820

12562

PAY  
 TO THE  
 ORDER  
 OF

Sheraton Burlington Hotel  
 870 Williston Rd

So Burlington, VT 05403

09/29/93

\*\*\*\*\*2,390.04

\*\*\*\*\*2,390 DOLLARS AND 04 CENTS

DATE

AMOUNT

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*Allen Johnson*

⑆012562⑆ ⑆082000073⑆ 008941⑆916⑆2⑆

9 5 0 / 0 1 8 1 0 / 0 5 6



Street  
Rt.  
SO. BURLINGTON, VT

USPS BURLINGTON, VT 05401 18:00 10/07/93 DEPH1

Clinton/Gore  
PO BOX 2741  
Little Rock, AR 72203  
Attn: Cathleen

ATTACHMENT  
Page 20 of 47

8 0 1 4 6 1 0 7 0 5 0

STALE DATED CHECKS  
Clinton/Gore '92 Committee

---

Check # 8533 was voided because it had already been paid by Steve Siegler. He was reimbursed for the expense with check #10140.

25970194

CLINTON-GORE '92 COMMITTEE

1992

8533

Inv. Number	Inv. Date	Inv. Amount	Amount Paid
8805	12/05/92	911.28	911.08

TRX DESCRIPTION: Expense Reimbursement

*STOP  
PYMT  
11-10-93 Duplicate  
Steel Singler*

911.08

CLINTON-GORE '92 COMMITTEE  
PHONE (307) 378-1902  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
31-7-800

850

18/31/92 \*\*\*\*\*911.08 AMOUNT

\*\*\*\*\*911 DOLLARS AND 28 CENTS

PAY TO THE ORDER OF

Prisa Services Ltd  
133 Mountain Avenue  
Warren, NJ 07059

THE SIGNATURE REQUIRED IF OVER \$200.00

NOT NEGOTIABLE

105334 802 0000731 00894 145 16 25

BANK NAME *Worthen National Bank* STOP PAYMENT REQUEST DATE *11/1/92*

IF STOP PAYMENT ORDER WAS MADE ORALLY, PLEASE CONFIRM ORDER BY SIGNING THIS FORM IN THE SPACE PROVIDED BELOW AND RETURNING TO BANK PROMPTLY. ANY ORAL STOP PAYMENT ORDER IS BINDING FOR ONLY 14 DAYS. BY SIGNING BELOW AND RETURNING THIS FORM TO THE ABOVE NAMED INSTITUTION, THIS STOP PAYMENT ORDER WILL BE EFFECTIVE FOR 6 MONTHS AFTER THE DATE ACCEPTED BY THE INSTITUTION, AND WILL AUTOMATICALLY EXPIRE AFTER THAT PERIOD. SUBJECT TO THE FOREGOING TERMS, PLEASE STOP PAYMENT ON THE CHECK(S) DESCRIBED ON THIS STOP PAYMENT REQUEST FORM.

TO RELEASE OR CANCEL STOP PAYMENT, SEE REVERSE SIDE OF CUSTOMER COPY.

AUTHORIZED SIGNATURE: *[Signature]*

ACCOUNT NAME & ADDRESS

*Clinton-Gore '92 Committee  
1201 1st St  
Little Rock, AR  
72203*

ATTACHMENT *4*  
Page *92* of *14*  
*12#3*

RECEIVED BY <i>[Signature]</i>	<input type="checkbox"/> ORAL <input checked="" type="checkbox"/> IN PERSON
AMOUNT <i>911.08</i>	
CHECK NUMBER <i>9533</i>	
DATE ISSUED <i>11/31/92</i>	
PAYABLE TO <i>Prisa Services Ltd</i>	
REASON <i>601</i>	
DAYTIME TELEPHONE # <i>313-7-800</i>	
ACCOUNT NUMBER <i>105334</i>	FEE <i>0</i>

FORM 92-54-001

CUSTOMER COPY

ATTACHMENT  
Page

CLINTON-GORE '02 COMMITTEE

10140 1 140

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
305632	111292	12/10/92	1,805.23	1,805.23
TRX DESCRIPTION: Reimb				

1,805.23

CLINTON-GORE '02 COMMITTEE  
 PHONE (501) 372-1002  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
 LITTLE ROCK, AR 72203  
 81-7-850

10140

12/11/92 \*\*\*\*\*1,805.23

DATE AMOUNT

\*\*\*\*\*1,805 DOLLARS AND 23 CENTS

PAY TO THE ORDER OF

Steve Seigler  
 133 Mountain Avenue  
 Warren, NJ 07059

TWO SIGNATURES REQUIRED IF OVER \$2000.00

NOT NEGOTIABLE

2610/050

Steven Werbel Siegler  
19, rue Montorgueil  
75001 Paris France  
tel:331/4580-0152 fax:331/4887-8015

Ms. Michelle Day  
Clinton Gore '92 Committee  
Little Rock AR 72203 USA

November 12, 1992

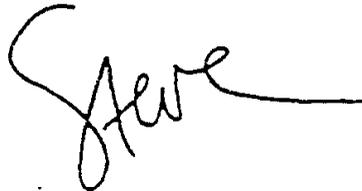
BY Fed Ex

Dear Michelle,

It was good speaking with you yesterday. Here is all the paperwork I promised, and more. Before we get to the fun stuff, I have one question - Have you folks produced a directory of Advance personnel yet? If so, I would greatly appreciate a copy ... and if not, please consider doing so. (Merci) Enclosed are the following, with thanks:

1. Unused draft #100-83349
2. Draft receipts pertaining to the GOTV Meadowlands Rally - NJ 11/01/92
3. Prima invoice for consulting fees and reimbursement of expenses
4. Copy of last Prima invoice and receipts for unreimbursed expenses totalling \$911.08
5. Form DNC-1
6. Thank you forms from GOTV Meadowlands Rally

Michelle ... thanks for all of your help. It was great to finally meet you, however briefly. Have a happy Birthday, and enjoy the mountains, but try to stay out of nasty bars.



Clinton - Gore '92 Committee  
P.O. Box 2741  
Little Rock, Arkansas 72203  
Attention: Matt Moore - Accounting

October 6, 1992

INVOICE

For Consulting Services rendered during the period  
August 28 - October 2, 1992  
Ref: CG1/92

check # 8082

31 days advance work at \$105.00	=	
31 days p/d at \$ 25.00	=	
(21days p/d at \$ 25.00 paid)	=	
Expenses (receipts enclosed)	=	
telecommunications	=	38.74
travel	=	644.47
fabric	=	123.28
fuel	=	35.04
tolls	=	14.15
miscellaneous	=	55.40

US\$	3255.00
US\$	775.00
US\$	(525.00)
US\$	911.08

pd 355  
dwe

Total Amount Due = US\$ 4416.08

Payable upon receipt - Please make payment by check or by wire transfer to the following account:

Bank: Chase Manhattan Bank N.A  
Branch: 302 West 12th St. NYNY 10014 USA  
Account Name: Prima Services Ltd  
Account Number: 219-1-110481

Thank you

Prima Services Ltd. / 133 Mountain Avenue / Warren NJ 07059 USA  
tel: (908) 647-3354 - Federal Tax ID 51-0339160

957/0194393

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 9171 was voided as it represented payment for car rental that had previously been paid for by vouchers.

050/012.934

**Bill Clinton  
FOR PRESIDENT**

P.O. Box 615 Little Rock, Arkansas 72201  
(501) 372-1992

NORTHERN  
NATIONAL BANK OF ARKANSAS  
LITTLE ROCK, AR 72201  
817-821

200-16426

DATE 8/11

NOT NEGOTIABLE AFTER 11-13-92  
NOT TO EXCEED \$200.00

PAY Five hundred and 00/100 Dollars

TO THE ORDER OF American International Bank

ADDRESS 187 Bailey Pkwy

CITY & STATE Nashville TN 37217

Purpose  Reimbursable Press Expense

CLINTON FOR PRESIDENT

*Jacky Johnson*  
*Wesley J. Gandy*  
NATIONAL BANK OF ARKANSAS

⑆016426⑆ ⑆082000073⑆ 008607⑆540⑆2⑆

ATTACHMENT Page 97 of 147

Pd  
PA  
8/21/92

**Bill Clinton  
FOR PRESIDENT**

P.O. Box 615 Little Rock, Arkansas 72201  
(501) 372-1992

NORTHERN  
NATIONAL BANK OF ARKANSAS  
LITTLE ROCK, AR 72201  
817-821

500-19048

DATE 8/11

NOT NEGOTIABLE AFTER 11-13-92  
NOT TO EXCEED \$500.00

PAY Five hundred and 00/100 Dollars

TO THE ORDER OF American Int'l Rental Car

ADDRESS 197 Bailey Pkwy

CITY & STATE Nashville TN 30217

Purpose  Reimbursable Press Expense

CLINTON FOR PRESIDENT

*Wesley J. Gandy*  
NATIONAL BANK OF ARKANSAS

⑆019048⑆ ⑆08200007⑆ 008607⑆540⑆2⑆

Pd  
PA  
8/21/92  
2,487.78  
2,317.58  
Pd  
2,487.78  
2,317.58  
Pd  
2,487.78  
2,317.58  
Pd  
2,487.78  
2,317.58

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
243072	21757	10/24/92	248.78	248.78

TRX DESCRIPTION: Expense For Car Rental 8/7/92

ATTACHMENT  
Page 98 of 147

1248.78

**CLINTON - GORE '92 COMMITTEE**  
 PHONE (601) 872-1992  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
 LITTLE ROCK, AR 72208  
 81-7-820

9171

\*\*\*\*\*248 DOLLARS AND 78 CENTS

11/15/92

\*\*\*\*\*248.78

DATE

AMOUNT

PAY TO THE ORDER OF

American International (TN)  
 797 Briley Parkway  
 Nashville, TN

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*W. Blair*  
 \_\_\_\_\_

⑆009171⑆ ⑆082000073⑆ 008941⑆916⑆2⑆

9 1 1 4 8 1 0 7 0 9 6



CATHLEEN CAVENDER  
ACCOUNTS PAYABLE  
BILL CLINTON/AL GORE

OCTOBER 19, 199

DEAR MS CAVENDER,

IN REGARDS TO YOUR RECENT LETTER, WE ARE SENDING YOUR CHECK  
BACK. THIS WAS AN OVERPAYMENT TO US DURING THE CAMPAIGN.  
~~THIS RENTAL WAS PAID WITH VOUCERS AT THE TIME OF THE RENTAL.~~

SORRY THIS WASN'T CLEARED UP EARLIER, BUT WE HAD NO CURRENT  
ADDRESS TO SEND THIS TO. WE HAVE BEEN HOLDING IT IN OUR  
FILES.

PLEASE LET US KNOW IF WE CAN BE OF ANY ASSISTANCE TO YOU.

THANK YOU CHOOSING PAYLESS CAR RENTAL FOR MR CLINTON AND MR  
GORES CAMPAIGN.

SINCERELY,

ANITA GARRISON  
ADMINSTATIVE ASSISTANT

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #9712 was void at the instruction of Lena Rennie from Worthen National Bank. The Statement indicates that our account was charged \$2.08, not that we owe the fee. It is merely a statement not a bill.

059701243

ATTACHEMENT  
PAGE 100 of 142

To cancel the Stop Paym  
this form to the bank so

GORE '02 COMMITTEE

Inv. Number Inv. Date  
4869 103192 11/20/92  
TRX DESCRIPTION: Service Fees

Inv. Amount  
2.08

Amount Paid  
2.08

9712

9712

*stop  
payment  
4/13/94*

12.08

CLINTON - GORE '02 COMMITTEE

PHONE (501) 372-1992  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
01-7-620

9712

11/23/92 \*\*\*\*\*2.08

\*\*\*\*\*2 DOLLARS AND 08 CENTS

DATE

AMOUNT

PAY  
TO THE  
ORDER  
OF

Worthen National Bank  
200 West Capitol Ave

Little Rock, AR 72201

TWO SIGNATURES REQUIRED IF OVER \$2000.00

NOT NEGOTIABLE

ATTACHMENT  
Page 10/10

4

11/23/92 11:23 AM



# STATEMENT OF DEPOSITS AND FEES



MONTH OF OCTOBER

DATE: 10/31/92

4700

WORTHEN NATIONAL BANK  
P O BOX 1681  
LITTLE ROCK AR 72203  
4680060160 5430130160

POSTAGE INDICATOR: M  
MERCHANT: 019987494

CFP INC 4700  
ATTN W DAVID WATKINS  
P O BOX 615  
LITTLE ROCK AR 72203-0615

050/0194000

DEP DATE	POST DATE	REFERENCE NUMBER	TICKET COUNT	GROSS SALES	CREDITS	ADJUSTMENTS	NET SALES AMOUNT	CHARGEBACK AMOUNT

NOV 19 1992

**TOTALS**

PLAN NAME	DISC RATE	AVERAGE TICKET	NO. CRED TICKETS	CREDITS	NO. SALES TICKETS	DISCOUNTED SALES	DISCOUNT
MASTERCARD	4.000						
VISA	4.000						

DEPOSIT SUMMARY TOTAL.. FEES & OTHER CHARGES (SEE BACK) ..... 2.08

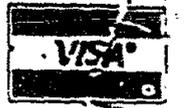
YOUR ACCOUNT 000000089413265 HAS BEEN CHARGED 2.08



# STATEMENT OF DEPOSITS AND FEES

MONTH OF OCTOBER

DATE: 10/31/92



95070194201

FEE'S MERCHANT	SOURCE	ACCESS	DESCRIPTION	ITEMS	RATE	AMOUNT	TOTAL FEES
019987494			SERVICE FEES			2.08	
<b>TOTALS</b>							2.08

PLAN NAME	DISC. RATE	AVERAGE TICKET	NO. CRED. TICKETS	CREDITS	NO. SALES TICKETS	DISCOUNTED SALES	DISCOUNT
YEAR TO DATE							
MASTERCARD		141.27	1	100.00	78	11,160.00	446.40
VISA		134.70			152	20,475.00	819.00
<b>DEPOSIT SUMMARY TOTAL..</b>		136.95	1	100.00	230	31,635.00	1,265.40

<b>YOUR ACCOUNT</b>	<b>HAS BEEN CHARGED</b>
---------------------	-------------------------

PAGE OF

ATTACHMENT  
Page 103 of 147

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 1497 was voided and replaced with check # 1768.

95070124102

EMPLOYEE #		KOPERNY		KOPERNY-MORRISON, E. L.		322-36-7000	
PAY							
TYPE	RATE	HOURS	EARNINGS	TAXES WITHHELD	DEDUCTIONS	YEAR TO DATE	
Hourly	4.360	57.60	250.13	F.I.C.A. 19.14 FEDERAL 0.02 STATE AR 4.38		EARNINGS 540.49 F.I.C.A. W/II 41.36 FED. W/II 6.00 STATE W/II 10.17 LOCAL W/II 0.00	
						VACATION AVAIL 0.00 HOURS SICK TIME AVAIL 0.00 HOURS	
PAY PERIOD	09/01/92	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	
	09/15/92	57.60	250.13	23.54	0.00	226.69	

CLINTON-GORE '92 COMMITTEE  
 PAYROLL ACCOUNT  
 PHONE (501) 372-1973  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72503

WORTHEN NATIONAL BANK  
 LITTLE ROCK, AR 72208  
 21-7-320

1760  
 09/16/92

\*\*\*\*\*226 DOLLARS AND 69 CENTS

\*\*\*\*\*226.69

PAY  
 TO THE  
 ORDER OF

E. L. Koperny-Morrison  
 #1 Black Oak Court  
 Little Rock, AR 72209

NOT NEGOTIABLE

#001760# 0082000073# 0087117159#

CLINTON - GORE '92 COMMITTEE

1497

EMPLOYEE #		EMPLOYEE NAME		SSN		
KOPF06		Koperky-Morrison, Evelyn L		SSN 322 36 7040		
PAY				TAXES WITHHELD	DEDUCTIONS	YEAR TO DATE
TYPE	RATE	HOURS	EARNINGS			
Hourly	4.350	47.50	206.63	F.I.C.A. 15.01		EARNINGS 496.99
				FEDERAL 0.00		F.I.C.A. W/H 30.02
				STATE W/H 3.29		FED. W/H 6.06
						STATE W/H 9.08
						LOCAL W/H 0.00
						VACATION AVAIL 0.00 HOURS
						SICK TIME AVAIL 0.00 HOURS
PAY PERIOD	09/01/97	TOTAL	TOTAL	TOTAL	TOTAL	NETPAY
	09/15/97	47.50	206.63	19.10	0.00	187.53

CLINTON - GORE '92 COMMITTEE  
 PAYROLL ACCOUNT  
 PHONE (501) 372-1902  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
 LITTLE ROCK, AR 72203  
 517-820

1497  
 09/14/97

*reversed  
 paid*

\*\*\*\*\*187 DOLLARS AND 53 CENTS

AMOUNT \*\*\*\*\*187.53

PAY  
 TO THE  
 ORDER OF

Evelyn L. Koperky-Morrison  
 #1 Black Oak Court

Little Rock, AR 72209

*W. Duip Walker*

000149700082002 630 008941915090

4  
 ATTACHMENT  
 Page 106 of 117

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 1756 was voided and replaced by check #4767. This check cleared the bank on October 8, 1993.

957/0194000

10/14/93



WORTHEN NATIONAL BANK OF ARKANSAS P.O. BOX 1681 LITTLE ROCK, AR 72203 (501) 375-2265

== ==

CLINTON-GORE '92 COMMITTEE PAYROLL ACCOUNT PO BOX 2741 LITTLE ROCK AR 72203

Account Number 008941-915-9 Statement Date 10/14/93 Page Number 1

2 SPECIAL HANDL

YOU MAY REQUEST ACCOUNT DISCLOSURES CONTAINING TERMS, FEES AND RATE INFORMATION AS IN COMPLIANCE WITH THE TRUTH IN SAVINGS ACT BY CALLING 501-375-BANK.

\*\*\*\*\* CHECKING ACCOUNT SUMMARY \*\*\*\*\*

Table with 3 columns: Description, Amount, and YTD Interest Paid. Rows include Previous Balance, Credits, Debits, Service Charges, Interest Paid, and Ending Balance.

\*\*\*\*\* CHECKING ACCOUNT TRANSACTIONS \*\*\*\*\*

DEPOSITS AND OTHER CREDITS

Table with 3 columns: Date, Amount, and Transaction Description. Rows show ZBA credits from 10/08 and 10/11.

CHECKS

Table with 4 columns: Date, Check No., Amount, and Date. Rows show checks from 10/11 and 10/08.

\*\*\*\*\* CUSTOMER BALANCE SUMMARY \*\*\*\*\*

Table with 2 columns: Date and Balance. Rows show balances for 10/07 and 10/08.

050 / 0194706

ATTACHMENT 4 Page 108 of 147

CLINTON - GORE '92 COMMITTEE  
PAYROLL ACCOUNT  
PHONE (501) 372-1992  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

4767

9/27/93

AMOUNT 1,920.27

PAY one thousand nine hundred twenty dollars and 27/100--

TO THE ORDER OF April Melody  
430 S. Capitol St SE  
Washington, DC 20003

050311366 022 0246 0251 22 03

*Ellen Johnson*

⑈004767⑈ ⑆08200073⑆ 008941⑈915⑈9⑈ ⑈0000192027⑈

4  
ATTACHMENT  
Page 109 of 147

10036101096

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 4875 was void and found in the check files. It had never been released. The individual was issued payment for the Portland, ME trip on October 22, 1992 with check #7535.

957/012.4

ATTACHMENT

Page 110 of 147

CLINTON-GORE '02 COMMITTEE

7535

7535

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
281754	1171C	10/22/92	315.00	315.00
TRX DESCRIPTION: 9/24-9/26				

315.00

CLINTON-GORE '02 COMMITTEE

PHONE (601) 372-1802

P.O. BOX 2741

LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK

LITTLE ROCK, AR 72203

617-810

7535

10/22/92 DAN\*\*\*\*\*315.00 AMOUNT

PAY  
TO THE  
ORDER  
OF

\*\*\*\*\*315 DOLLARS AND 00 CENTS

Jersey Ben Ami  
200 W. 70th St #14M

New York, NY 10023

TWO SIGNATURES REQUIRED IF OVER \$2000.00

NOT NEGOTIABLE

⑆01⑆17535⑆ ⑆002000073⑆

4  
ATTACHMENT  
Page of 147

CITY: Portland EVENT DATE: 9/26 PRINC: BC

RON: \_\_\_\_\_ TRIP NUMBER: 1.171

PER DIEM 108-6103

NAME: Jeremy Ben Ami DATES: 9/24-9/26 AMOUNT: 75

NAME: \_\_\_\_\_ DATES: \_\_\_\_\_ AMOUNT: \_\_\_\_\_

TOTAL: 75

**CONSULTING 108-6101**

NAME: Jeremy Ben Ami DATES: 9/24-9/26 AMOUNT: 315

NAME: \_\_\_\_\_ DATES: \_\_\_\_\_ AMOUNT: \_\_\_\_\_

TOTAL: 315

05070194010

Ref.	Inv. Number	Inv. Date	Inv. Amount	Inv. Amount Paid
	1171	09/24/92	\$200.00	\$200.00

TRX DESCRIPTION: Exp. Advance-Portland,ME

4  
ATTACHED  
Page 13 of 17

3830

<p><b>CLINTON - GORE '92 COMMITTEE</b>          PHONE (501) 372-1992          P.O. BOX 2741          LITTLE ROCK, AR 72203</p>	<p><b>WORTHEN NATIONAL BANK</b>          LITTLE ROCK, AR 72209          81-7-820</p>	<p>4875</p>
<p>*****200 Dollars and 00 Cents</p>	<p><i>VOID</i>          9-24-92</p>	<p>DATE\$*****200.00 AMOUNT</p>
<p>PAY TO THE ORDER OF</p>	<p>Jeremy Ben-Ami          200 w. 70th st.          New York, NY 10023</p>	<p>TWO SIGNATURES REQUIRED IF OVER \$2000.00</p>
<p>⑆004875⑆ ⑆082000073⑆ 008⑆</p>		

11046107056

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 6914 was voided as it represented payment for a trip that the recipient did not take.

Per Diem check #4428 was also voided as it represented per diem for the same trip. As the recipient did not make the trip, it was not owed.

9570194012

ATTACHMENT

Page

4  
119 of 147

BILL CLINTON • AL GORE

August 6, 1993

*void  
did not go  
on this trip*

Jack Murray  
Vendor Name

2 Badger Rd  
Address

Hyde Park, Ma 03316

Dear Sir or Madam:

On October 11, 1992, the Clinton-Gore '92  
Committee issued to you check # 10114 in the amount of  
\$ 20.00 for contribution.

In reviewing our records, we have discovered that this check is  
still outstanding. Please check your records to see if you have  
received this payment. If you have not received this check, please  
contact the accounting office so that we may issue a replacement  
check. If you are holding this check for any reason, please let us  
know.

Thank you for your assistance.

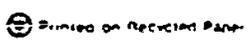
Thank you,

Cathleen Cavender

Cathleen Cavender  
Accounts Payable

95070194213

ATTACHMENT 4  
Page 115 of 147





BANK NAME Wetherfield Bank Corp STOP PAYMENT REQUEST DATE 11/1/73

IF STOP PAYMENT ORDER WAS MADE ORALLY, PLEASE CONFIRM ORDER BY SIGNING THIS FORM IN THE SPACE PROVIDED BELOW AND RETURNING TO BANK PROMPTLY. ANY ORAL STOP PAYMENT ORDER IS BINDING FOR ONLY 14 DAYS. BY SIGNING BELOW AND RETURNING THIS FORM TO THE ABOVE NAMED INSTITUTION, THIS STOP PAYMENT ORDER WILL BE EFFECTIVE FOR 8 MONTHS AFTER THE DATE ACCEPTED BY THE INSTITUTION, AND WILL AUTOMATICALLY EXPIRE AFTER THAT PERIOD SUBJECT TO THE FOREGOING TERMS. PLEASE STOP PAYMENT ON THE CHECK(S) DESCRIBED ON THIS STOP PAYMENT REQUEST FORM.

RECEIVED BY M. King  ORAL  PERSON TIME 1:30

AMOUNT 711.00

CHECK NUMBER 6714

TO RELEASE OR CANCEL STOP PAYMENT, SEE REVERSE SIDE OF CUSTOMER COPY.

AUTHORIZED SIGNATURE: [Signature]

DATE ISSUED: 10/16/72

ACCOUNT NAME Clinton - Gen'l. Comm'tt.

PAYABLE TO Franklin D. Roosevelt

ADDRESS 1000 ...

REASON Death

ADDRESS 274 ...

DAYTIME TELEPHONE 575/1391

ADDRESS Little Rock Ark 72203

ACCOUNT NUMBER 19894-1102 FEE 5

CUSTOMER COPY

Statement of Cathleen Cavender

I, Cathleen Cavender, declare the following:

1. On or about September, 1993, I had a telephone conversation with Jack Murray concerning check numbers 4428 and 6914. He told me he did not take the trip associated with the payments. Therefore, the checks were voided.
2. On or about September, 1993, I spoke with John Monroe on the telephone concerning check #6869 and #8578. He told me he was not entitled to the per diem payments for the month of October. Therefore, the checks were voided.

I hereby declare, under penalty of perjury, that the foregoing is true and correct to the best of my information and belief.

Cathleen Cavender  
Cathleen Cavender

1-27-95  
Date

ATTACHMENT

Page 118 of 147

950/0124916

4

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check # 9972 was voided because there was a computer printer error. The original check was stapled to the pink check copy and filed with the checks. This check was never released. It was replaced with check #9996.

957/0194017

CLINTON - GORE '92 COMMITTEE

PHONE (601) 872-1892  
P.O. BOX 8741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-420

9996

\*\*\*\*\*165 DOLLARS AND 00 CENTS

11/30/92 \$\*\*\*\*\*165.00  
151304311 1513 03 12-28-92  
DATE

AMOUNT

PAY  
TO THE  
ORDER  
OF

Ashley Adams  
3611 Foxcroft  
Little Rock, AR 72207

TWO SIGNATURES REQUIRED IF OVER \$1000.00

*A. Sharp Adams*

⑆009996⑆ ⑆082000073⑆ 008941⑆945⑆2⑆

⑆0000016500⑆

81646107056

Inv. Number	Inv. Date	Inv. Amount	CLINTON FOR PRESIDENT COMMITTEE
113092	11/30/92	165.00	Amount Paid
DESCRIPTION: Advance		165.00	A/P Vendor Status Report in Detail
12/11/92			12/10/92

Vendor: 5483 - I G FURNITURE RENTAL

Voucher No.	Invoice No.	Invoice Date	Due Date	Discount Date	Disc/FC Availabl
-------------	-------------	--------------	----------	---------------	------------------

165.00

**CLINTON - GORE '92 COMMITTEE**

PHONE (501) 872-1092  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
 LITTLE ROCK, AR 72203  
 81-7-820

9972

11/30/92

\*\*\*\*\*165.00

DATE

AMOUNT

\*\*\*\*\*165 DOLLARS AND 00 CENTS

PAY TO THE ORDER OF

Ashley Adams  
 3611 Foxcroft

Little Rock, AR 72207

TWO SIGNATURES REQUIRED IF OVER \$2000.00

⑈009972⑈ ⑆082000073⑆ 00894⑆⑈9⑆⑈2⑈

4  
 of 74  
 ATTACHMENT  
 Page

6100610/050

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #8578 was void as the individual was not entitled to the payment.

9597012-4-90

CLINTON-GORE '92 COMMITTEE  
Commitment/Check Request Form

Open/Cl  
\_\_\_\_\_  
\_\_\_\_\_

COMMITMENT 1/1  
CHECK REQUEST X/1

(Check request must have invoice attached, and commitment form if applicable)

Date 11-2-92 Amount \$250<sup>00</sup>

Payable to: Name John Mawne  
Address \_\_\_\_\_  
Phone \_\_\_\_\_

Purpose of Expenditure:  
(Describe fully and attach documentation and/or invoice)

Signature Richard Hillier Approved \_\_\_\_\_  
(Dept. Head)

ALL OF THE ABOVE ITEMS MUST BE COMPLETED BEFORE THIS REQUEST WILL BE PROCESSED.

-----ACCOUNTING USE ONLY-----

APPROVALS

Budget director	_____	/ /	Accepted	/ /	Rejected
A/P Assistant	_____	/ /	Accepted	/ /	Rejected
Document Clerk	_____	/ /	Accepted	/ /	Rejected
A/P Manager	_____	/ /	Accepted	/ /	Rejected

EXCEPTIONS

Does not meet budget	/ /	_____	Cleared	/ /	_____
Missing information	/ /	_____	Cleared	/ /	_____
List:					
Not QCE	/ /	_____	REQUEST REJECTED		
Duplicate request	/ /	_____	REQUEST REJECTED		

PROCESSING

	Initials	Date
Posted to commitments	_____	_____
Posted/transferred to A/P	_____	_____
Selected to Pay	_____	_____
Check prepared	_____	_____
Compliance review	<u>EH</u>	<u>11-2</u>
Check Released	<u>EH</u>	<u>11-2</u>

ACCOUNT CODES & AMOUNTS 107-6100

ENDOR NUMBER \_\_\_\_\_

ATTACHMENT 4  
Page 123 of 147

Statement of Cathleen Cavender

I, Cathleen Cavender, declare the following:

1. On or about September, 1993, I had a telephone conversation with Jack Murray concerning check numbers 4428 and 6914. He told me he did not take the trip associated with the payments. Therefore, the checks were voided.
2. On or about September, 1993, I spoke with John Monroe on the telephone concerning check #6869 and #8578. He told me he was not entitled to the per diem payments for the month of October. Therefore, the checks were voided.

I hereby declare, under penalty of perjury, that the foregoing is true and correct to the best of my information and belief.

Cathleen Cavender  
Cathleen Cavender

1-27-95  
Date

ATTACHEMENT

Page

124

of

147

4

95070194092

8578

95970195703

**CLINTON - GORE '92 COMMITTEE**

PHONE (501) 872-1892  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
LITTLE ROCK, AR 72203  
81-7-830

8578

**VOID**

AMOUNT

DATE

PAY TO THE ORDER OF

Little Rock, AR 72203

TWO SIGNATURES REQUIRED IF OVER \$1000.00

*W. Sharp Walker*

#008578# @082000073# 0089414916# 2#

ATTACHMENT

Page 125 of 177

4

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #4875a listed in the amount of \$200.00 represents a duplicate entry in the accounting system. The check never existed. As it was a duplicate check number, once the original check was voided in the system the duplicate could not be voided as the computer believed it was already void.

9507012.4

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #6869 was void as this individual was not entitled to the payment.

059 / 0194 / 05

Statement of Cathleen Cavender

I, Cathleen Cavender, declare the following:

1. On or about September, 1993, I had a telephone conversation with Jack Murray concerning check numbers 4428 and 6914. He told me he did not take the trip associated with the payments. Therefore, the checks were voided.
2. On or about September, 1993, I spoke with John Monroe on the telephone concerning check #6869 and #8578. He told me he was not entitled to the per diem payments for the month of October. Therefore, the checks were voided.

I hereby declare, under penalty of perjury, that the foregoing is true and correct to the best of my information and belief.

Cathleen Cavender  
Cathleen Cavender

1-27-95  
Date

950/0194306

Adrian, Roger	2,000.00	0.00	Health Insurance
Monroe, Jeff	0.00	500.00	-
David, Bartle	0.00	500.00	-
Debra, Patricia	200.00	0.00	Health Insurance
Barber, Brad	0.00	500.00	Life Ins.
Blain, Steve	0.00	500.00	Life Ins. & Health
Sweeney, Mike	0.00	500.00	Life Ins. & Health
Travers, Joe	0.00	500.00	Life
Williams, Lenny	0.00	500.00	-
Wright, Betsey	2,000.00	0.00	Health Insurance
DeLoach, Kristine	500.00	500.00	Health Insurance 1/2 Car & 1/2 Pet

112 STAFF - H. CLINTON

EMPLOYEE	PAYROLL	PER DIEM	BENEFITS
Silverman, Josh	0.00	500.00	N/A

115 POLITICAL

EMPLOYEE	PAYROLL	CONSULTANT FEE	BENEFITS
Dorval, Christopher	0.00	2,500.00	N/A
Ehrman, Sara	0.00	1,500.00	N/A
B.D. Wills & Assoc. (Charles Duncan)	0.00	3,800.00	N/A

120 STATE ACTIVITIES - PRESS

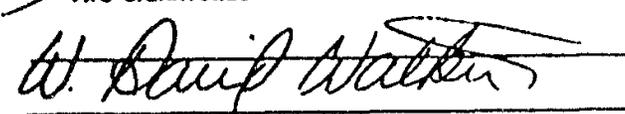
EMPLOYEE	PAYROLL	CONSULTANT FEE	BENEFITS
Gill, Jonathan P.	0.00	500.00	N/A

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
22493	101692	10/16/92	250.00	250.00

TRY DESCRIPTION: 10/1 Thru 10/15 Per Die

ATTACHMENT  
 Page 150 of 177  
 4

1250.00

<b>CLINTON - GORE '92 COMMITTEE</b> PHONE (501) 372-1992 P.O. BOX 2741 LITTLE ROCK, AR 72203		<b>WORTHEN NATIONAL BANK</b> LITTLE ROCK, AR 72203 81-7-820		<b>6869</b>
*****250 DOLLARS AND 00 CENTS		10/16/92		*****250.00
<b>PAY TO THE ORDER OF</b> John Monroe 112 W 3rd St Little Rock, AR 72201		DATE		AMOUNT
TWO SIGNATURES REQUIRED IF OVER \$2000.00				
				
*006869* :082000073: 008941091602*				

8 2 0 4 0 1 0 / 0 9 6

CLINTON-GORE '92 COMMITTEE  
Commitment/Check Request Form

Open/Close  
\_\_\_\_\_  
\_\_\_\_\_

COMMITMENT  
CHECK REQUEST 1/4

(Check request must have invoice attached, and commitment form if applicable)

Date 10/15/92 Amount 550<sup>00</sup>

Payable to: Name John Mance  
Address \_\_\_\_\_  
Phone \_\_\_\_\_

Purpose of Expenditure: 10/11-10/15 Per Diem  
(Describe fully and attach documentation and/or invoice)

Signature C. Cawende Approved \_\_\_\_\_  
(Dept. Head)

~~ALL OF THE ABOVE ITEMS MUST BE COMPLETED BEFORE THIS REQUEST WILL BE PROCESSED.~~

-----ACCOUNTING USE ONLY-----

APPROVALS

Budget director	_____	/ /	Accepted	/ /	Rejected
A/P Assistant	<u>SM</u>	/ /	Accepted	/ /	Rejected
Document Clerk	_____	/ /	Accepted	/ /	Rejected
A/P Manager	_____	/ /	Accepted	/ /	Rejected

275493

EXCEPTIONS

Does not meet budget	/ /	_____	Cleared	/ /	_____
Missing information	/ /	_____	Cleared	/ /	_____
List:					
Not QCE	/ /	_____	REQUEST REJECTED		
Duplicate request	/ /	_____	REQUEST REJECTED		

PROCESSING

	Initials	Date
Posted to commitments	_____	_____
Posted/transferred to A/P	<u>CC</u>	<u>10/16</u>
Selected to Pay	_____	_____
Check prepared	<u>CC</u>	<u>10/16</u>
Compliance review	_____	_____
Check Released	_____	_____

ACCOUNT CODES  
& AMOUNTS

1077-6100  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

VENDOR NUMBER

Mance

ATTACHMENT

Page 131 of 147

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Ck # 3206 - This check was issued on 9/08/92 as payment for consulting for the period 8/21 - 8/27. On 9/14/92 the individual was issued another check as payment for consulting for the period 8/20 - 8/27. This check was cashed. The first check was misplaced. When the individual received a letter from the campaign concerning the outstanding payment, it was brought to the Committee's attention that this check represented a duplication and the individual was not entitled to the payment. Therefore, in September of 1993 a stop payment was issued on Ck #3206. :

950 / 0123000

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
17379	1101C	09/09/92	120.00	120.00
TX DESCRIPTION: 8/21-8/27				

*Copy of # 2744*

*Stop Pymt 9-16-93*

1120.00

<b>CLINTON-GORR '92 COMMITTEE</b> PHONE (801) 373-1892 P.O. BOX 2741 LITTLE ROCK, AR 72203	<b>WORTHEN NATIONAL BANK</b> LITTLE ROCK, AR 72203 81-7-872	3296
<p>*****120 DOLLARS AND NO CENTS</p> <p>09/09/92</p> <p>AMOUNT</p>		
PAY TO THE ORDER OF	Mary Cervantes 317 3rd St N2c Brooklyn, NY 11215	TWO SIGNATURES REQUIRED IF OVER \$1000.00
<b>NOT NEGOTIABLE</b>		

ATTACHED

*7*

CITY: San Antonio EVENT DATE: 8/210 PRINC: B.C

RON: \_\_\_\_\_ TRIP NUMBER: 10101

PER DIEM 109-6103

NAME: \_\_\_\_\_ DATES: \_\_\_\_\_ AMOUNT: \_\_\_\_\_

TOTAL: \_\_\_\_\_

**CONSULTING 109-6103**

*Services*

NAME: Mary Cervantes DATES: 8/21-8/27 AMOUNT: 120

NAME: \_\_\_\_\_ DATES: \_\_\_\_\_ AMOUNT: \_\_\_\_\_

TOTAL: \_\_\_\_\_

ATTACHMENT

Page 134 of 147

010194102

STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #2927 - This check was for consulting for the period 9/2 - 9/8 as indicated on the check stub. The individual was not entitled to the entire payment. Another consulting request for the period 9/3 - 9/7 was entered into the system and paid with Ck #2928 (period was noted on the check stub). Per Diem for the period was paid with Per Diem Ck# 1666. As the checks had been distributed, a stop pay request was initiated on CK #2927 therefore avoiding a duplicate payment to the individual.

0501019473



207

95070194

Ref. Inv. Number Inv. Date Inv. Amount Amount Paid

15649 11-17-77 09/04/92 400.00 400.00

TRX-DESCRIPTION: 9/3-9/77

ACCOUNT NUMBER: 1111

AMOUNT: 400.00

NAME: JAMES J. GORE

NAME: KATHY

NAME: DIANE

NAME: JAMES

AMOUNT: 400.00

AMOUNT: 400.00

AMOUNT: 400.00

CLINTON-GORE '92 COMMITTEE

TELEPHONE (601) 372-1982

P.O. BOX 3741

LITTLE ROCK, AR 72103

NAME: CLINTON-GORE '92 COMMITTEE

DATE: 09/04/92

AMOUNT: 400.00

\*\*\*\*\*400 DOLLARS AND 00 CENTS\*\*\*\*\*

PAY TO THE ORDER OF: Colleen McCarthy

1 Orleole Street

Runford, AR 72916

NOT NEGOTIABLE



STALE DATED CHECK  
Clinton/Gore '92 Committee

---

Check #3317 was void and located in the check files. It was never released. The vendor states the account has been paid in full.

95010194027

ATTACHMENT

Page 139 of 147

4

Ref.	Inv. Number	Inv. Date	Inv. Amount	Amount Paid
16654	090292	09/02/92	76.56	76.56
TRX DESCRIPTION: Reimb.				

4  
 ATTACHMENT  
 of  
 140  
 Page

Taylor 1050  
 119-6203 - 15.25  
 119-6202 6131

176.56

CLINTON - GORE '92 COMMITTEE

PHONE (501) 372-1992  
 P.O. BOX 2741  
 LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
 LITTLE ROCK, AR 72203  
 817-800

3317

\*\*\*\*\*76 DOLLARS AND 56 CENTS

09/10/92

\*\*\*\*\*76.56

DATE

AMOUNT

PAY TO THE ORDER OF

Taylor Rental (PA)  
 235 East Maiden St.

Washington, PA 15301

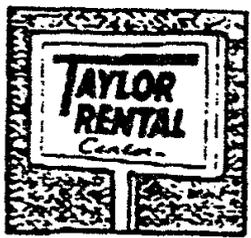
TWO SIGNATURES REQUIRED IF OVER \$2000.00

⑈003317⑈ ⑆082000073⑆ 008941⑈916⑈2⑈

9 1 0 1 0 1 0 5 6

74-25-1995 12:55 FROM TAYLOR RENTAL CENTER

TO 1501375-1290 P.02



3320 WASHINGTON ROAD, McMURRAY, PA 15317  
TEL (412) 941-5000

235 EAST MAIDEN STREET, WASHINGTON, PA 15301  
January 25, 1995 TEL: (412) 225-6200

Clinton-Gore '92 Committee  
P.O. Box 2741  
Little Rock, AR 72203  
1(501)375-1290  
ATTN: Shannon Tanner

To whom it may concern:

Our records indicate that your organization has no open liability with our company as of this date.  
Please contact our store if there are any discrepancies.

95070193007

Yours truly,

Doug Podany

ATTACHMENT <sup>4</sup>  
Page 14 of 147

Things to rent for every event\*

PARTY & BANQUET

POWER &

CARPET &

EXERCISE

250/019240

**EXHIBIT D**

---



WORTHEN NATIONAL BANK OF ARKANSAS P.O. BOX 1681 LITTLE ROCK, AR 72203 (501) 375-2265

CLINTON CAMPAIGN GENERAL ELECTION LEGAL AND ACCOUNTING COMPLIANCE FUND P O BOX 2741 LITTLE ROCK AR 72203

ACCOUNT NUMBER 008607-535-0 STATEMENT DATE 08/31/94 PAGE NUMBER 1

WORTHEN'S VISA OR MASTERCARD OFFERS A LOW 8.5% RATE (APR)! APPLY TODAY AT THE WORTHEN LOCATION NEAREST YOU. OR CALL 375-BANK OR 1-800-477-2264 FOR AN APPLICATION.

CHECKING ACCOUNT SUMMARY PREVIOUS BALANCE 108,691.91 CREDITS 0 DEBITS 101,126.93 SERVICE CHARGES 0 INTEREST PAID 26.44 ENDING BALANCE 7,591.42 YTD INTEREST PAID 867.84

CHECKING ACCOUNT TRANSACTIONS DEPOSITS AND OTHER CREDITS

DATE AMOUNT TRANSACTION DESCRIPTION 08/31 26.44 INTEREST PAID

CHECKS

DATE CHECK NO AMOUNT DATE CHECK NO AMOUNT 08/03 100,000.00 08/17 1421 4.15 08/12 1420 973.78 08/30 1422 149.00

CUSTOMER BALANCE SUMMARY DATE BALANCE DATE BALANCE 07/31 108,691.91 08/17 7,713.98 08/03 8,691.91 08/30 7,564.98 08/12 7,718.13 08/31 7,591.42

INTEREST RATE SUMMARY

INTEREST EARNED

Table with columns: EFFECTIVE DATE, UP TO, \$2,499-\$49,999, \$50,000-\$99,999, \$100,000-\$499,999, \$500,000 AND ABOVE. Includes interest earned this period (26.44) and annual percentage yield earned (2.17%).

ATTACHMENT Page 143 of 147

MEMBER FDIC MEMBER WORTHEN BANKING CORPORATION

\*PREVIOUS CHECK NUMBER(S) MISSING

NOTICE: SEE REVERSE SIDE AND ACCOMPANYING STATEMENTS FOR IMPORTANT INFORMATION

9507019471



WORTHEN NATIONAL BANK OF ARKANSAS P.O. BOX 1681 LITTLE ROCK, AR 72203 (501) 375-2263

CLINTON - GORE 92 COMMITTEE GENERAL ACCT PO BOX 2741 LITTLE ROCK AR 72203

ACCOUNT NUMBER 008941-916-2 STATEMENT DATE 08/31/94 PAGE NUMBER 1

32

WORTHEN'S VISA OR MASTERCARD OFFERS A LOW 8.5% RATE (APR)! APPLY TODAY AT THE WORTHEN LOCATION NEAREST YOU. OR CALL 375-BANK OR 1-800-477-2264 FOR AN APPLICATION.

CHECKING ACCOUNT SUMMARY

Table with columns: Description, Amount, YTD Interest Paid. Rows include Previous Balance, Credits, Debits, Service Charges, Interest Paid, and Ending Balance.

CHECKING ACCOUNT TRANSACTIONS

DEPOSITS AND OTHER CREDITS

Table with columns: Date, Amount, Transaction Description. Lists various customer deposits from 08/01 to 08/26.

CHECKS

Table with columns: Date, Check No., Amount, Date, Check No., Amount. Lists check transactions from 08/15 to 08/29.

ATTACHMENT 4

Page 149 of 147

MEMBER FDIC MEMBER WORTHEN BANKING CORPORATION



WORTHEN NATIONAL BANK OF ARKANSAS P.O. BOX 1681 LITTLE ROCK, AR 72203 (501) 375-2263

CLINTON CAMPAIGN GENERAL ELECTION LEGAL AND ACCOUNTING COMPLIANCE FUND P O BOX 2741 LITTLE ROCK AR 72203

ACCOUNT NUMBER 008607-535-0 STATEMENT DATE 10/31/94 PAGE NUMBER 1

2 SPECIAL HANDL

APPLY FOR A TRUE BLUE YONDER LOAN TODAY! WITH YOUR LOAN, YOU COULD RECEIVE TWO ROUND-TRIP TICKETS TO PLACES LIKE HAWAII OR ORLANDO. RESTRICTIONS APPLY.

CHECKING ACCOUNT SUMMARY

Table with 2 columns: Description and Amount. Rows include Previous Balance (39,152.57), Credits (0), Debits (30,499.88), Service Charges (0), Interest Paid (48.40), and Ending Balance (8,701.09). YTD Interest Paid is 1,177.57.

CHECKING ACCOUNT TRANSACTIONS

DEPOSITS AND OTHER CREDITS

Table with 3 columns: DATE, AMOUNT, TRANSACTION DESCRIPTION. Row: 10/31, 48.40, INTEREST PAID.

CHECKS

Table with 6 columns: DATE, CHECK NO., AMOUNT, DATE, CHECK NO., AMOUNT. Row: 10/19, 30,000.00, 10/28, 1424, 499.88.

CUSTOMER BALANCE SUMMARY

Table with 4 columns: DATE, BALANCE, DATE, BALANCE. Rows: 09/30, 39,152.57; 10/28, 8,652.69; 10/19, 9,152.57; 10/31, 8,701.09.

INTEREST RATE SUMMARY

INTEREST EARNED

Table with 6 columns: EFFECTIVE DATE, UP TO, and interest rates. Row: 10-07-94, 2.150, 2.150, 2.250, 2.500, 2.750.

INTEREST EARNED THIS PERIOD 48.40 ANNUAL PERCENTAGE YIELD EARNED 2.17% DAYS IN PERIOD 31

ATTACHMENT

Page 145 of 147

MEMBER FDIC MEMBER WORTHEN BANKING CORPORATION

\*PREVIOUS CHECK NUMBER(S) MISSING

NOTICE: SEE REVERSE SIDE AND ACCOMPANYING STATEMENT(S) FOR INFORMATION

9507019473



WORTHEN NATIONAL BANK OF ARKANSAS P.O. BOX 1681 LITTLE ROCK, AR 72203 (501) 375-2263

CLINTON - GORE 92 COMMITTEE GENERAL ACCT PO BOX 2741 LITTLE ROCK AR 72203

ACCOUNT NUMBER 008941-916-2 STATEMENT DATE 10/31/94 PAGE NUMBER 1

34 SPECIAL HANDL

APPLY FOR A TRUE BLUE YONDER LOAN TODAY! WITH YOUR LOAN, YOU COULD RECEIVE TWO ROUND-TRIP TICKETS TO PLACES LIKE HAWAII OR ORLANDO. RESTRICTIONS APPLY.

CHECKING ACCOUNT SUMMARY

Table with 2 columns: Description and Amount. Rows include: PREVIOUS BALANCE 41,725.82; 3 CREDITS 30,668.46; 34 DEBITS 28,165.22; SERVICE CHARGES .00; INTEREST PAID .00; ENDING BALANCE 44,229.06; YTD INTEREST PAID .00

CHECKING ACCOUNT TRANSACTIONS

DEPOSITS AND OTHER CREDITS

Table with 3 columns: DATE, AMOUNT, TRANSACTION DESCRIPTION. Rows include: 10/19 30,000.00 CUSTOMER DEP.; 10/24 1.62 CUSTOMER DEP.; 10/24 666.84 CUSTOMER DEP.

CHECKS

Table with 4 columns: DATE, CHECK NO., AMOUNT, DATE, CHECK NO., AMOUNT. Lists various check transactions from 10/04 to 10/05.

CUSTOMER BALANCE SUMMARY

Table with 2 columns: DATE, BALANCE. Shows balance progression from 09/30 to 10/17.

ATTACHMENT

MEMBER FDIC MEMBER WORTHEN BANKING CORPORATION





FEDERAL ELECTION COMMISSION  
WASHINGTON D.C. 20463

AK006173

April 25, 1995

MEMORANDUM

TO: LAWRENCE M. NOBLE  
GENERAL COUNSEL

THROUGH: JOHN C. SUBINA  
STAFF DIRECTOR

FROM: ROBERT J. COSTA  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: ANALYSIS OF RESPONSE TO THE FINAL AUDIT REPORT ON  
CLINTON/GORE '92 COMMITTEE AND CLINTON/GORE '92  
GENERAL ELECTION COMPLIANCE FUND

As requested by your memorandum, dated February 2, 1995, the Audit staff has reviewed the response to the Final Audit Report ("FAR") submitted by the Clinton/Gore '92 Committee (the "General Committee") and the Clinton/Gore '92 General Election Compliance Fund (the "Compliance Fund") on January 30, 1995. Our analysis of these documents is presented below.

The Committee's response addresses the following matters as presented in the FAR:

- ° Apparent Prohibited Contributions (Finding III.A.);
- ° Non-qualified Campaign Expenses as a result of Apparent Duplicate Payments (Finding III.B.1.); and,
- ° Stale-Dated Checks (Finding III.E.).

With respect to Finding III.A., Apparent Prohibited Contributions, the General Committee states that it objects to the Audit Division's position contained in the FAR that the General Committee received \$111,100 in prohibited contributions in connection with four media contracts that were amended during the general election period. The Committee argues that the four vendors were part of a creative team which worked on DNC media pursuant to 2 U.S.C. §441a(d), campaign media and other DNC generic media. The campaign further argues that as the

*Celebrating the Commission's 20th Anniversary*

YESTERDAY, TODAY AND TOMORROW  
DEDICATED TO KEEPING THE PUBLIC INFORMED

ATTACHMENT 5  
Page 1 of 4

959/0194916

overall media plan was refined, the contracts were amended to reflect the actual services provided based on a shift in focus and the increased DNC use of generic advertising.

To support its arguments, the Committee provided documentation supporting the DNC payments for the amended portions of the contracts and an affidavit from a corporate officer of Greer, Margolis, Mitchell, Burns, & Associates, Inc. ("GMMB")<sup>1/</sup>, the media consultant for the General Committee during the 1992 election cycle. In addition, a videotape was presented which shows examples of four commercials on which three of the four vendors (Deutsch, Inc., Valerie Graves, and Squier Eskew Knapp Ochs) apparently worked.

The affidavit from GMMB states that all four vendors participated in the creative development, scripting and producing of individual radio spots or sets of spots. It states that Valerie Graves worked on radio targeted to African-American voters. She wrote and produced one of the commercials contained on the videotape. The affidavit further states that Michael Donilon and Squier Eskew Knapp Ochs were involved in strategy, message development and scripting of radio spots to be broadcast in Michigan and a number of southern states, especially as part of the Get-Out-the-Vote campaign. Further, Squier Eskew Knapp Ochs wrote and produced one of the spots on the videotape. For Deutsch, Inc., the affidavit states that they wrote and produced the remaining two spots on the videotape.

The affidavit also states that by October of 1992, GMMB had a fairly well-developed overall media strategy, and accordingly, had determined what emphasis would be placed on generic media versus media for the candidate. The General Committee states that on that basis, the amounts to be paid by the DNC for generic media were determined.

However, the Committee provided no affidavits from the individual vendors and no documentation to support the percentages developed by the DNC and the General Committee or that the services performed were any different than what was originally expected to be performed. The General Committee stated that at this late date GMMB could not provide complete records concerning all specific spots worked on by these vendors.

The videotape<sup>2/</sup> provided contains four separate 30 second television spots. One is titled "Gina," another is "Jonathan 3," another is "2nd Street," and the final one is "Speak." None

<sup>1/</sup> Formerly Greer, Margolis, Mitchell, Greenwald & Associates, Inc.

<sup>2/</sup> The videotape is maintained in the Audit Division for review.

9507019407

of these spots contains mention of a specific candidate and includes generic appeals from different individuals to the effect that Republicans don't understand their problems, "trickle-down economics" doesn't work, vote for a change, Democrats understand their problems, the Democratic plan makes the most sense, and average income has gone down over the past 12 years. We do not know for certain that this is the exact format that the spots appeared or what percentage of total work this comprises. However, it is evident that the spots provided are for generic media and are not candidate specific.

Although complete documentation to support the above contentions was not provided, it does appear that the four media vendors provided services related to generic media as well as services for the General Committee. Documentation to support the accuracy and correctness of the percentages paid has not been provided to the Audit staff. Given that it appears these vendors worked on generic media for the DNC, which paid for a certain portion of the original contracts, the Audit staff does not believe that repayment to the U.S. Treasury for prohibited contributions is warranted.

The Committee has stated that if the documentation is not considered adequate, the DNC and the General Committee would be willing to take whatever steps are necessary for allocating this amount as an expenditure pursuant to 2 U.S.C. 441a(d). This would also reduce the amount payable to the U.S. Treasury. As of June 30, 1994, the DNC had reported that \$9,682,375.38 of its \$10,331,703 National Party Limit for the 1992 Presidential General Election had been expended.

With respect to the non-qualified campaign expenses, the General Committee provided documentation which demonstrated that \$1,850 in duplicate payments to Southwestern Bell had been refunded. As a result, the amount repayable to the U.S. Treasury relative to duplicate payments is reduced from \$8,329 to \$6,479.

With respect to Finding III.E., Stale-Dated Checks, the General Committee's response to the FAR included documentation to resolve stale-dated checks totaling \$32,535. As a result, the General Committee's payment obligation under the provisions of 11 CFR 9007.6 has decreased to \$24,640, which represents the remaining, unresolved stale-dated checks.

Finally, the Audit staff is in the process of revising the NOQCE and Expenditures Subject to Limit analyses based upon the General Committee's response and recently filed disclosure reports. It appears that the General Committee is now in a surplus position as the result of excessive transfers from the Compliance Fund.

050701942

Our analysis will be forwarded to your office under separate cover upon its completion.

Should you have any questions, call Alex Boniewicz or Joe Swearingen at 219-3720.

95070191007

100-660  
7-1-92

MEDIA SERVICES AGREEMENT

THIS AGREEMENT is entered into as of July \_\_\_\_, 1992 between the CLINTON/GORE GENERAL ELECTION COMMITTEE, INC., an Arkansas non-profit corporation (the "Committee"), having offices at 112 West Third Street, Little Rock, Arkansas 77201, and [REDACTED] ("Consultant"), an individual residing at 32 West 105th Street, Apartment 2, New York, New York 10025.

1. Services. The Committee hereby engages Consultant to provide, and Consultant agrees to provide, media consulting, production and related services for the Clinton general election campaign, as more specifically provided in Exhibit A hereto.

2. Compensation and Expenses. For all services pursuant to this Agreement and all associated expenses, the Committee shall pay to Consultant up to the amount provided in Exhibit A hereto. The Committee shall also reimburse Consultant for travel expenses (coach airfare, hotels, meals and ground transportation) reasonably incurred by Consultant in performing services under this Agreement and not included within production costs pursuant to Exhibit A, provided that Consultant shall not be reimbursed for expenses which in the aggregate exceed the amount set forth in Exhibit A hereto unless, prior to incurring such expenses, Consultant has received from the Committee or from Mandy Grunwald of Great American Media ("Ms. Grunwald") written authorization for such expenses. Payment to Consultant for fees and expenses under this Agreement shall be due upon submission of Consultant's statements therefor in accordance with the schedule set forth in Exhibit A hereto and not later than November 15, 1992, itemized in such detail as the Committee may reasonably request. Consultant shall maintain books and records adequate for the confirmation of all such fees and expenses, which shall be available for inspection by the Committee upon reasonable request. No payment of fees or reimbursement of expenses by the Committee shall be due for any activities of Consultant outside the scope of this Agreement.

3. Personnel and Facilities. Consultant shall furnish all personnel, services, facilities, equipment and supplies required in connection with performance under this Agreement, including obtaining services and materials from any authorized subcontractors as needed. Consultant shall work under the direction of Ms. Grunwald or David Watkins and/or other representatives designated by the Committee or Ms. Grunwald. Consultant shall provide all services under this Agreement, and shall accord such priority to services hereunder

05079490

is necessary to assure full and timely performance by Consultant under this Agreement. Consultant shall not enter into any contracts or commitments with third parties for services or products to be provided pursuant to this Agreement, without the prior written approval of the Committee or Ms. Grunwald.

4. Committee Support. The Committee and Ms. Grunwald shall provide to Consultant information and coordination as reasonably requested by Consultant and needed to enable Consultant to perform its services pursuant to this Agreement.

5. Term. The term of this Agreement shall extend through November 15, 1992. The Committee may, by written notice to Consultant, terminate this Agreement at an earlier date, provided, however, that the Committee shall nevertheless pay Consultant the minimum fee provided in Exhibit A (if applicable) and any other amounts becoming due prior to the date of termination, including any charges of authorized subcontractors properly incurred by Consultant as a result of any such termination. To the extent practicable, Consultant shall include like termination provisions in any agreements with subcontractors. All rights and obligations of the parties arising prior thereto shall survive the termination of this Agreement.

6. Content, Ownership and Confidentiality. The content of all media strategies, plans, advertisements or other public communications shall be subject to prior approval by the Committee's representative. All right, title and interest in all completed and partially completed work product (the "Work Product") of Consultant developed pursuant to this Agreement shall automatically vest in the Committee, and exclusive possession thereof shall be delivered to the Committee forthwith upon request by the Committee. Consultant hereby acknowledges that she has obtained and will continue to obtain knowledge of and access to confidential, sensitive and valuable information concerning the Work Product and other information relating to the Committee ("Restricted Information"), which may include but is not limited to political and media strategies and plans, contracts and financial information, pertaining to, used by or known to the Committee, and any and all other information concerning the affairs and finances of the Committee or its members, which information (a) is not generally known by or available to the general public (without fault of Consultant), (b) was not available to Consultant on a nonconfidential basis prior to receipt from the Committee and is not received thereafter from a third party without

05070194002

restriction and without breach of this Agreement, and (c) is to be disclosed pursuant to a requirement of a government agency or legal process. Consultant therefore agrees at all times after the date hereof (x) to keep all such Restricted Information confidential, (y) to disclose Restricted Information only to those subcontractors and agents of Consultant who (i) reasonably need to have access to the Restricted Information, (ii) have been approved in advance in writing by the Committee or Ms. Grunwald and (iii) have agreed to be bound by the terms of this Section 5, and (z) not to use (and to cause any persons to whom Consultant discloses such Restricted Information to agree not to use) such Restricted Information on its own behalf or on behalf of any other person, firm or entity. Upon request by the Committee, Consultant shall deliver to the Committee forthwith all copies of Restricted Information. In the event of a breach or threatened breach by Consultant or any person to whom Consultant has disclosed Restricted Information of the provisions of this paragraph, the Committee shall be entitled to an injunction restraining Consultant or such person from using or disclosing, in whole or in part, any such Restricted Information. Nothing herein contained shall be construed as prohibiting the Committee from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

7. Representations and Warranties. Consultant hereby represents and warrants as follows: ~~All services~~ furnished under this Agreement will be in accordance with the terms of this Agreement. Information and materials furnished by the Consultant will not violate the proprietary or other legal rights of any other party. Consultant is an individual having full capacity, power and authority to enter into and to perform this Agreement. Execution, delivery and performance of this Agreement by Consultant will not violate the terms of any other employment relationship or other obligation of Consultant. This Agreement constitutes a legal, valid and binding obligation of the Consultant, enforceable in accordance with its terms. Consultant has not paid or agreed to pay any commission, percentage or fee of any kind to any other person or entity, contingent upon or resulting from entering into or performing services under this Agreement. In the performance of this Agreement, Consultant shall comply with all applicable laws and regulations.

The Committee hereby represents and warrants as follows: Information and materials furnished by the Committee will not violate the proprietary or other legal rights of any other party. The Committee is a corporation duly organized and in good standing under the laws of Arkansas and has full power and authority to enter into and to perform this Agreement.

This Agreement constitutes a legal, valid and binding obligation of the Committee, enforceable in accordance with its terms. In the performance of this Agreement, the Committee shall comply with all applicable laws and regulations.

8. Liability and Indemnity. Nothing in this Agreement shall be construed to constitute either party a partner, employee or agent of the other, nor shall either party have authority to bind the other in any respect, it being intended that each party shall remain an independent contractor solely responsible for its own actions. The Committee shall not be liable under any contracts or obligations of Consultant, apart from this Agreement, or for any acts or omissions of Consultant and its subcontractors and agents. Consultant agrees to indemnify and hold harmless the Committee and its members, officers, employees and agents from any and all claims, losses, damages and expenses (including attorney fees) in any manner resulting from or arising out of any contracts or obligations of Consultant or the performance or breach of Consultant's obligations under this Agreement, except as expressly contemplated herein. Neither Consultant nor her subcontractors or agents shall be liable under any contracts or obligations of the Committee, apart from this Agreement, or for any acts or omissions of the Committee and its members, officers, employees and agents. The Committee agrees to indemnify and hold harmless Consultant and her subcontractors and agents from any and all claims, losses, damages and expenses (including attorney fees) in any manner resulting from or arising out of any contracts or obligations of the Committee or the performance or breach of the Committee's obligations under this Agreement, except as expressly contemplated herein.

9. Miscellaneous. This instrument contains the entire agreement of the parties and supersedes all other agreements or understandings between them. This instrument may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, extension or discharge is sought. All covenants, agreements, representations, warranties and indemnities made herein by either party shall survive the execution and delivery of the Agreement and shall bind and inure to the benefit of their respective successors and assigns, provided that the rights and obligations of a party to this Agreement shall not be assignable without the prior written consent of the other party hereto. Descriptive headings in this Agreement are for convenience only and shall not affect the construction of this Agreement. All communications and notices made under this Agreement shall be delivered to the parties at their respective addresses set forth above. The Agreement shall be governed by

050701943

laws of Arkansas (not including the choice-of-law rules  
hereof).

IN WITNESS WHEREOF, the parties hereto have duly  
executed this Agreement as of the date first hereinabove set  
forth.

CLINTON/GORE GENERAL  
ELECTION COMMITTEE, INC.

By:   
David Watkins  
Vice President and  
Deputy Campaign Manager

  
VALERIE GRAVES

950/019474

0003f

SERVICES AND COMPENSATION

Services. Consultant shall provide advice and assistance in the development and execution of an overall media strategy and plan for the Committee and the design and production of television and radio advertisements consistent with such strategy, and shall participate in associated meetings and telephone conferences on a regular basis, all subject to the direction of the Committee and Ms. Grunwald and in conjunction and coordination with other firms and persons providing media advice and assistance to the Committee. Consultant acknowledges that portions of Consultant's Work Product may be combined and used with the Work Product of other media advisors to the Committee.

2. Production. Media production services may be provided directly or through the use of subcontractors, subject to prior written approval by the Committee or Ms. Grunwald of any such services and subcontractor.
3. Compensation. The Committee shall pay Consultant three installments of \$25,000 each on August 1, September 15, and November 15, 1992, provided that if the Agreement is terminated prior to the end of its term, the Committee shall pay a minimum fee of \$25,000 if terminated without breach of the Agreement by Consultant on or before August 1 and, thereafter, an additional amount prorated according to the number of days since the previous installment was due. All production services shall be billed, and paid in an amount equal to Consultant's direct cost therefor, without mark-up or commission of any kind.
4. Expenses. Actual expenses not to exceed \$1,000.

9507019605

**AMENDED AND RESTATED  
MEDIA SERVICES AGREEMENT**

THIS AMENDED AND RESTATED MEDIA SERVICES AGREEMENT (the "Restated Agreement") is entered into as of October 15, 1992 between the CLINTON/GORE GENERAL ELECTION COMMITTEE, INC., an Arkansas non-profit corporation (the "Committee"), having offices at 112 West Third Street, Little Rock, Arkansas 7201, and VALERIE GRAVES ("Consultant"), an individual residing at 32 West 105th Street, Apartment 2, New York, New York 10025.

WHEREAS, the Committee and Consultant entered into an Agreement dated as of July \_\_, 1992 (the "Original Agreement"), relating to the provision by Consultant of certain creative media services;

WHEREAS, following the date of the Original Agreement, Consultant and the Committee recognized that certain of the services provided by Consultant were for the benefit of the Democratic National Committee (the "DNC") rather than the Committee;

WHEREAS, the parties recognize and agree that the Committee and the DNC should pay separately for services provided to each;

WHEREAS, the Committee and Consultant desire to amend and restate the Original Agreement to include only those services to be provided by Consultant to the Committee; and

WHEREAS, concurrently with the execution and delivery of this Restated Agreement, the DNC and Consultant are entering into a separate contract with respect to that portion of Consultant's services to be provided to the DNC;

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreements set forth herein, the parties agree as follows:

1. Services. The Committee hereby engages Consultant to provide, and Consultant agrees to provide, media consulting, production and related services for the Clinton general election campaign, as more specifically provided in Exhibit A hereto.

2. Compensation and Expenses. For all services pursuant to this Agreement and all associated expenses, the Committee shall pay to Consultant up to the amount provided in Exhibit A hereto. The Committee shall also reimburse Consultant for travel expenses (coach airfare, hotels, meals

ATTACHMENT 7

Page 1 of 6

and ground transportation) reasonably incurred by Consultant in performing services under this Agreement and not included within production costs pursuant to Exhibit A, provided that Consultant shall not be reimbursed for expenses which in the aggregate exceed the amount set forth in Exhibit A hereto unless, prior to incurring such expenses, Consultant has received from the Committee or from Mandy Grunwald of Great American Media ("Ms. Grunwald") written authorization for such expenses. Payment to Consultant for fees and expenses under this Agreement shall be due upon submission of Consultant's statements therefor in accordance with the schedule set forth in Exhibit A hereto and not later than November 15, 1992, itemized in such detail as the Committee may reasonably request. Consultant shall maintain books and records adequate for the confirmation of all such fees and expenses, which shall be available for inspection by the Committee upon reasonable request. No payment of fees or reimbursement of expenses by the Committee shall be due for any activities of Consultant outside the scope of this Agreement.

9507012407

3. Personnel and Facilities. Consultant shall furnish all personnel, services, facilities, equipment and supplies required in connection with performance under this Agreement, including obtaining services and materials from an authorized subcontractors as needed. Consultant shall work under the direction of Ms. Grunwald or David Watkins and/or other representatives designated by the Committee or Ms. Grunwald. Consultant shall provide all services under this Agreement, and shall accord such priority to services hereunder as is necessary to assure full and timely performance by Consultant under this Agreement. Consultant shall not enter into any contracts or commitments with third parties for services or products to be provided pursuant to this Agreement, without the prior written approval of the Committee or Ms. Grunwald.

4. Committee Support. The Committee and Ms. Grunwald shall provide to Consultant information and coordination as reasonably requested by Consultant and needed to enable Consultant to perform its services pursuant to this Agreement.

5. Term. The term of this Agreement shall extend through November 15, 1992. The Committee may, by written notice to Consultant, terminate this Agreement at an earlier date, provided, however, that the Committee shall nevertheless pay Consultant the minimum fee provided in Exhibit A (if applicable) and any other amounts becoming due prior to the date of termination, including any charges of authorized

subcontractors properly incurred by Consultant as a result of any such termination. To the extent practicable, Consultant shall include like termination provisions in any agreements with subcontractors. All rights and obligations of the parties arising prior thereto shall survive the termination of this Agreement.

6. Content, Ownership and Confidentiality. The content of all media strategies, plans, advertisements or other public communications shall be subject to prior approval by the Committee's representative. All right, title and interest in all completed and partially completed work product (the "Work Product") of Consultant developed pursuant to this Agreement shall automatically vest in the Committee, and exclusive possession thereof shall be delivered to the Committee forthwith upon request by the Committee. Consultant hereby acknowledges that she has obtained and will continue to obtain knowledge of and access to confidential, sensitive and valuable information concerning the Work Product and other information relating to the Committee ("Restricted Information"), which may include but is not limited to political and media strategies and plans, contracts and financial information, pertaining to, used by or known to the Committee, and any and all other information concerning the affairs and finances of the Committee or its members, which information (a) is not generally known by or available to the general public (without fault of Consultant), (b) was not available to Consultant on a nonconfidential basis prior to receipt from the Committee and is not received thereafter from a third party without restriction and without breach of this Agreement, and (c) is not disclosed pursuant to a requirement of a government agency or legal process. Consultant therefore agrees at all times after the date hereof (x) to keep all such Restricted Information confidential, (y) to disclose Restricted Information only to those subcontractors and agents of Consultant who (i) reasonably need to have access to the Restricted Information, (ii) have been approved in advance in writing by the Committee or Ms. Grunwald and (iii) have agreed to be bound by the terms of this Section 6, and (z) not to use (and to cause any persons to whom Consultant discloses such Restricted Information to agree not to use) such Restricted Information on its own behalf or on behalf of any other person, firm or entity. Upon request by the Committee, Consultant shall deliver to the Committee forthwith all copies of Restricted Information. In the event of a breach or threatened breach by Consultant or any person to whom Consultant has disclosed Restricted Information of the provisions of this paragraph, the Committee shall be entitled to an injunction restraining Consultant or such person from using or disclosing,

9507019408

in whole or in part, any such Restricted Information. Nothing herein contained shall be construed as prohibiting the Committee from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

7. Representations and Warranties. Consultant hereby represents and warrants as follows: All services furnished under this Agreement will be in accordance with the terms of this Agreement. Information and materials furnished by the Consultant will not violate the proprietary or other legal rights of any other party. Consultant is an individual having full capacity, power and authority to enter into and to perform this Agreement. Execution, delivery and performance of this Agreement by Consultant will not violate the terms of any other employment relationship or other obligation of Consultant. This Agreement constitutes a legal, valid and binding obligation of the Consultant, enforceable in accordance with its terms. Consultant has not paid or agreed to pay any commission, percentage or fee of any kind to any other person or entity, contingent upon or resulting from entering into or performing services under this Agreement. In the performance of this Agreement, Consultant shall comply with all applicable laws and regulations.

The Committee hereby represents and warrants as follows: Information and materials furnished by the Committee will not violate the proprietary or other legal rights of any other party. The Committee is a corporation duly organized and in good standing under the laws of Arkansas and has full power and authority to enter into and to perform this Agreement. This Agreement constitutes a legal, valid and binding obligation of the Committee, enforceable in accordance with its terms. In the performance of this Agreement, the Committee shall comply with all applicable laws and regulations.

8. Liability and Indemnity. Nothing in this Agreement shall be construed to constitute either party a partner, employee or agent of the other, nor shall either party have authority to bind the other in any respect, it being intended that each party shall remain an independent contractor solely responsible for its own actions. The Committee shall not be liable under any contracts or obligations of Consultant, apart from this Agreement, or for any acts or omissions of Consultant and its subcontractors and agents. Consultant agrees to indemnify and hold harmless the Committee and its members, officers, employees and agents from any and all claims, losses, damages and expenses (including attorney fees) in any manner resulting from or arising out of any contracts or obligations of Consultant or the performance or breach of

95070194

Consultant's obligations under this Agreement, except as expressly contemplated herein. Neither Consultant nor her subcontractors or agents shall be liable under any contracts or obligations of the Committee, apart from this Agreement, or for any acts or omissions of the Committee and its members, officers, employees and agents. The Committee agrees to indemnify and hold harmless Consultant and her subcontractors and agents from any and all claims, losses, damages and expenses (including attorney fees) in any manner resulting from or arising out of any contracts or obligations of the Committee or the performance or breach of the Committee's obligations under this Agreement, except as expressly contemplated herein.

9. Miscellaneous. This instrument contains the entire agreement of the parties and supersedes all other agreements or understandings between them. This instrument may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, extension or discharge is sought. All covenants, agreements, representations, warranties and indemnities made herein by either party shall survive the execution and delivery of the Agreement and shall bind and inure to the benefit of their respective successors and assigns, provided that the rights and obligations of a party to this Agreement shall not be assignable without the prior written consent of the other party hereto. Descriptive headings in this Agreement are for convenience only and shall not affect the construction of this Agreement. All communications and notices made under this Agreement shall be delivered to the parties at their respective addresses set forth above. The Agreement shall be governed by the laws of Arkansas (not including the choice-of-law rules thereof).

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first hereinabove set forth.

CLINTON/GORE GENERAL  
ELECTION COMMITTEE, INC.

BY:

  
David Watkins  
Vice President and  
Deputy Campaign Manager

  
VALERIE GRAVES

SERVICES AND COMPENSATION

1. Services. Consultant shall provide advice and assistance in the development and execution of an overall media strategy and plan for the Committee and the design and production of television and radio advertisements consistent with such strategy, and shall participate in associated meetings and telephone conferences on a regular basis, all subject to the direction of the Committee and Ms. Grunwald and in conjunction and coordination with other firms and persons providing media advice and assistance to the Committee. Consultant acknowledges that portions of Consultant's Work Product may be combined and used with the Work Product of other media advisors to the Committee.
2. Production. Media production services may be provided directly or through the use of subcontractors, subject to prior written approval by the Committee or Ms. Grunwald of any such services and subcontractor.
3. Compensation. The Committee shall pay Consultant an aggregate of \$56,700, in installments as follows: on August 1, 1992, \$25,000; on ~~September 15, 1992, \$25,000~~ and on ~~November 15, 1992, \$6,700~~; provided that if the Agreement is terminated prior to the end of its term, the Committee shall pay an amount prorated according to the number of days since the previous installment was due. All production services shall be billed, and paid in an amount equal to Consultant's direct cost therefor, without mark-up or commission of any kind.
4. Expenses. Actual expenses not to exceed \$1,000.

05070194001



FEDERAL ELECTION COMMISSION

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A  
REPAYMENT OF PRESIDENTIAL PRIMARY MATCHING FUNDS  
AND A  
PAYMENT TO THE GENERAL FUND OF THE U.S. TREASURY

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a check drawn on Worthen National Bank (Check #15433) in the amount of \$1,383,587. The check represents a final repayment from the Clinton for President Committee for matching funds received in excess of entitlement (\$1,072,344), non-qualified campaign expenses (\$270,384) and stale dated checks (\$40,859).

The repayment/payment should be deposited as follows:

Matching Payment Account	\$1,342,728
General Fund of U.S. Treasury	40,859
	<u>\$1,383,587</u>

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

957/012492

**CLINTON FOR PRESIDENT COMMITTEE**

PHONE (501) 375-1290  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
LITTLE ROCK, AR 72203  
81-7-820

15433

January 30, 1995 \$1,383,597.00

DATE AMOUNT

\*\*\*\*\*One million three hundred eighty-three thousand five hundred  
eighty-seven dollars and zero cents\*\*\*\*\*

U. S. Treasury

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*John R. Tisdale*  
*Sharon Tisdale*

⑈015433⑈ ⑆082000073⑆ 008941⑈326⑈5⑈

0507012

PAY TO THE



FEDERAL ELECTION COMMISSION

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A  
REPAYMENT TO THE GENERAL FUND OF THE U. S. TREASURY

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a check drawn on Worthen National Bank (Check #13222) in the amount of \$109,061. The check represents a partial repayment/payment from the Clinton-Gore '92 Committee for apparent prohibited contributions (\$1,000), apparent duplicate payments (\$6,479), non campaign related activity (\$70,296), income earned on the investment of federal funds (\$6,646) and stale dated checks (\$24,640).

The repayment/payment should be deposited into the General Fund of the U. S. Treasury.

Clinton - Gore '92 Committee  
Amount of Repayment: \$109,061

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

95070194

CLINTON-GORE '92 COMMITTEE  
PHONE (501) 372-1982  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

13222

January 30, 1995 \$109,051.00

DATE

AMOUNT

PAY \*\*\*\*\*One hundred nine thousand sixty-one dollars and zero cents\*\*\*\*\*  
TO THE ORDER OF U. S. Treasury

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*John R. Tisdale*  
*Sharon Lane*

⑆013222⑆ ⑆082000073⑆ 00894⑆⑆9⑆⑆⑆2⑆

959/01940

Public Disclosure  
(Cooper)



FEDERAL ELECTION COMMISSION

FEB 3 10 00 AM '95

FEBRUARY 3, 1995

TO: COMMISSIONERS  
THROUGH: JOHN C. SURINA  
STAFF DIRECTOR  
FROM: ROBERT J. COSTA  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: REPAYMENTS RECEIVED FROM THE LAROUCHE DEMOCRATIC  
CAMPAIGN, CLINTON FOR PRESIDENT COMMITTEE, AND  
CLINTON-GORE '92 COMMITTEE

This informational memo is to advise you of three repayment  
checks received from three presidential committees as follows:

LaRouche Democratic Campaign (1988) - \$159,790.93

The check represents a final repayment for matching funds  
received in excess of entitlement and non qualified campaign  
expenses.

Clinton for President Committee - \$1,383,587

The check represents a final repayment for matching funds  
received in excess of entitlement, non-qualified campaign  
expenses, and stale dated checks.

Clinton-Gore '92 Committee - \$109,061

The check represents a partial repayment for apparent  
prohibited contributions, apparent duplicate payments, non  
campaign related activity, income earned on the investment of  
federal funds, and stale dated checks.

Attached are copies of the checks and the receipts showing  
delivery to the Department of the Treasury. Should you have any  
questions regarding the repayments, please contact Ray Lis: at  
219-3720.

Attachments as stated

950701946107096



FEDERAL ELECTION COMMISSION

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A REPAYMENT OF  
1988 PRESIDENTIAL PRIMARY MATCHING FUNDS

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a cashiers check drawn on Burke & Herbert Bank & Trust Co. (Check #209832) in the amount of \$159,790.93. The check represents a final repayment from the LaRouche Democratic Campaign representing matching funds received in excess of entitlement and non qualified campaign expenses.

The payment should be deposited into the Matching Payment Account

LaRouche Democratic Campaign  
Amount of Payment: \$159,790.93

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

05070194007

ESTABLISHED 1852

CHARTERED 1932

MEMBER  
FED. RES. BANK

# Burke & Herbert Bank & Trust Co.

209832

REMITTER Case # 00658

Alexandria, Va. January 25, 19 95

68-106  
560

PAY TO THE ORDER OF \* U. S. Treas., Remitted through the Federal Elect. Comm. \$ 159,790.93

## CASHIER'S CHECK

THE PURCHASE OF A SURETY BOND WILL BE REQUIRED  
BEFORE THIS CHECK IS REPLACED DUE TO THEFT OR LOSS

*Cash Betty R. D. Smith*  
VICE PRESIDENT

⑈00209832⑈ ⑆056001066⑆ ⑈09⑈9000⑈2⑈

0  
1  
2  
3  
4  
5  
6  
7  
8  
9



FEDERAL ELECTION COMMISSION

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A  
REPAYMENT OF PRESIDENTIAL PRIMARY MATCHING FUNDS  
AND A  
PAYMENT TO THE GENERAL FUND OF THE U.S. TREASURY

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a check drawn on Worthen National Bank (Check #15433) in the amount of \$1,383,587. The check represents a final repayment from the Clinton for President Committee for matching funds received in excess of entitlement (\$1,072,344), non-qualified campaign expenses (\$270,384) and stale dated checks (\$40,859).

The repayment/payment should be deposited as follows:

Matching Payment Account	\$1,342,728
General Fund of U.S. Treasury	40,859
	<u>\$1,383,587</u>

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

95070194009

**CLINTON FOR PRESIDENT COMMITTEE**

PHONE (501) 375-1290  
P.O. BOX 2741  
LITTLE ROCK, AR 72203

**WORTHEN NATIONAL BANK**  
LITTLE ROCK, AR 72203  
81-7-820

15433

January 30, 1995 \$1,383,587.00

DATE AMOUNT

\*\*\*\*\*One million three hundred eighty-three thousand five hundred  
eighty-seven dollars and zero cents\*\*\*\*\*

PAY  
TO THE

U. S. Treasury

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*John R. Lisdale*  
*Sharon Tamm*

⑈015433⑈ ⑆082000073⑆ 00894⑆⑆326⑆⑆5⑆

0  
1  
2  
3  
4  
5  
6  
7  
8  
9



FEDERAL ELECTION COMMISSION

February 1, 1995

RECEIPT FROM THE  
UNITED STATES DEPARTMENT OF TREASURY  
FOR A  
REPAYMENT TO THE GENERAL FUND OF THE U. S. TREASURY

Received on February 1, 1995, from the Federal Election Commission (by hand delivery), a check drawn on Worthen National Bank (Check #13222) in the amount of \$109,061. The check represents a partial repayment/payment from the Clinton-Gore '92 Committee for apparent prohibited contributions (\$1,000), apparent duplicate payments (\$6,479), non campaign related activity (\$70,296), income earned on the investment of federal funds (\$6,646) and stale dated checks (\$24,640).

The repayment/payment should be deposited into the General Fund of the U. S. Treasury.

Clinton - Gore '92 Committee  
Amount of Repayment: \$109,061

Presented by:

Received by:

\_\_\_\_\_  
for the  
Federal Election Commission

\_\_\_\_\_  
for the  
United States Treasury

1  
9  
5  
7  
7  
0  
1  
9  
3  
0  
1

CLINTON - GORE '92 COMMITTEE  
PHONE (501) 372-1982  
P O. BOX 2741  
LITTLE ROCK, AR 72203

WORTHEN NATIONAL BANK  
LITTLE ROCK, AR 72203  
81-7-820

13222

January 30, 1995 \$109,061.00

DATE

AMOUNT

PAY \*\*\*\*\*One hundred nine thousand sixty-one dollars and zero cents\*\*\*\*\*  
TO THE ORDER OF U. S. Treasury

TWO SIGNATURES REQUIRED IF OVER \$2000.00

*John R. Tidale*  
*Sharon R. Tidale*

⑆0⑆3222⑆ ⑆082000073⑆ 00894⑆⑆9⑆⑆⑆2⑆

0 5 3 7 0 1 9 3 0 1