
REPORT OF THE AUDIT DIVISION
ON
**LaRouche's Committee for a New
Bretton Woods**

Approved May 1, 2003



FEDERAL ELECTION COMMISSION

999 E STREET, N.W.

WASHINGTON, D.C.

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**REPORT OF THE AUDIT DIVISION
ON
LAROCHE'S COMMITTEE FOR A NEW BRETTON WOODS
EXECUTIVE SUMMARY**

LaRouche's Committee for a New Bretton Woods (LCNBW) registered with the Federal Election Commission (the Commission) on September 10, 1997, as the principal campaign committee for Lyndon H. LaRouche, Jr., candidate for the Democratic Party's nomination for the office of President of the United States.

The audit was mandated by Section 9038(a) of Title 26 of the United States Code, requiring the Commission to audit committees authorized by candidates who receive Federal Funds. The Candidate received \$1,448,389 in matching funds from the U.S. Treasury.

The findings of the audit were presented to LCNBW at an exit conference held on August 29, 2001 and in the Preliminary Audit Report. LCNBW's responses to those findings are contained in the audit report.

The following is an overview of the findings contained in the audit report.

APPARENT NON-QUALIFIED CAMPAIGN EXPENSES — 11 CFR §§9032.9(a)(1), 9033.1(b), 9038.2(c)(1), 9038.2(b)(2), 9038.2(b)(3), 2 U.S.C. §§441a(a)(1)(A), 441b(a), 116.3(a), 116.3(b), and 116.3(c). The audit identified non-qualified campaign expenses totaling \$1,626,290. In response to the Preliminary Audit Report, LCNBW provided documentation that reduced that amount to \$253,753. The Commission determined that LCNBW must make a pro rata repayment of \$70,139 to the United States Treasury.

MATCHING FUNDS RECEIVED IN EXCESS OF ENTITLEMENT — 11 CFR §§9034.1(b) and 9038.2(b)(1). The Audit staff calculated that LCNBW received matching funds in excess of entitlement totaling \$163,272. The excess resulted primarily from the disallowing of the markup charged by the seven regional vendors. The Commission determined that this amount is repayable to the U.S. Treasury.

STALE-DATED CHECKS — 11 CFR §9038.6. The Audit staff identified checks issued by LCNBW in the amount of \$3,281 that had not been negotiated. LCNBW must pay this amount to the United States Treasury.



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I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of LaRouche's Committee for a New Bretton Woods (LCNBW). The audit is mandated by Section 9038(a) of Title 26 of the United States Code. Section 9038(a) states that "After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under section 9037." Also, Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission's Regulations state that the Commission may conduct other examinations and audits from time to time, as it deems necessary.

In addition to examining the receipt and use of Federal funds, the audit seeks to determine if the campaign has materially complied with the limitations, prohibitions, and disclosure requirements of the Federal Election Campaign Act of 1971 (FECA), as amended.

B. AUDIT COVERAGE

The audit of LCNBW covered the period from its inception, September 10, 1997 through September 30, 2000. LCNBW reported an opening cash balance of \$0-; total receipts of \$4,833,426; total disbursements of \$4,818,815; and, a closing cash balance of \$14,611. In addition, a limited review of LCNBW's disclosure reports filed through December 31, 2002 was conducted for purposes of determining its matching fund entitlement based on its financial position.

C. CAMPAIGN ORGANIZATION

LCNBW registered with the Federal Election Commission (the Commission) on September 10, 1997, as the principal campaign committee for Lyndon H. LaRouche, Jr., candidate for the Democratic Party's nomination for the office of President of the United States. LCNBW maintained its headquarters in Leesburg, Virginia. The Treasurer since LCNBW's inception is Ms. Kathy A. Magraw.

During the audit period, LCNBW maintained one checking account in Leesburg, Virginia. From this account the campaign made approximately 1,800 disbursements. LCNBW received about 36,700 contributions from 12,200 individuals, which totaled \$3,541,382. In addition, LCNBW accepted \$1,245 from five political committees.

In addition to the above, the Candidate was determined eligible to receive matching funds on September 30, 1999. LCNBW made 13 matching fund requests totaling \$1,465,530 and received \$1,448,389 from the United States Treasury. This amount represents 9% of the \$16,890,000 maximum entitlement that any candidate could receive. For matching fund purposes, the Commission determined that the candidacy of Lyndon H. LaRouche, Jr. ended August 16, 2000. On April 2, 2001, LCNBW received its final matching fund payment to defray qualified campaign expenses and to help defray the cost of winding down the campaign.

D. AUDIT SCOPE AND PROCEDURES

In addition to a review of expenditures made by LCNBW to determine if they were qualified or non-qualified campaign expenses, the audit covered the following general categories:

1. the receipt of contributions or loans in excess of the statutory limitations;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as the completeness and accuracy of the information disclosed;
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of campaign debts and obligations;

6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. adequate recordkeeping for campaign transactions;
8. accuracy of the Statement of Net Outstanding Campaign Obligations filed by LCNBW, to disclose its financial condition and to establish continuing matching fund entitlement (see Findings II.B. and II.C.);
9. compliance with spending limitations; and,
10. other audit procedures that were deemed necessary in the situation (see Finding II.A and Finding II.D.).

As part of the Commission's standard audit process, an inventory of campaign records was conducted prior to the audit fieldwork. This inventory was to determine if LCNBW's records were materially complete and in an auditable state. The records were found to be materially complete and the audit fieldwork commenced.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in the audit report in an enforcement action.

II. FINDINGS AND RECOMMENDATIONS - AMOUNTS DUE TO THE U.S. TREASURY

A. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES

Section 9032.9(a)(1) of Title 11 of the Code of Federal Regulations states that *qualified campaign expense* means a purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value incurred by or on behalf of a candidate or his or her authorized committees from the date the individual becomes a candidate through the last day of the candidate's eligibility as determined under 11 CFR 9033.5.

Section 9033.1(b)(1) of Title 11 of the Code of Federal Regulations states, in part, that the candidate has the burden of proving that disbursements by the candidate or any authorized committee(s) or agents thereof are qualified campaign expenses as defined in 11 CFR 9032.9.

Section 9038.2(c)(1) of Title 11 of the Code of Federal Regulations states in relevant part, that the Commission will provide the candidate with a written notice of its repayment determination. This notice will be included in the Commission's audit report prepared pursuant to 11 CFR 9038.1(d). The candidate shall repay to the United States Treasury in accordance with paragraph (d) of this section, the amount which the Commission has determined to be repayable.

Section 9038.2(b)(2) of Title 11 of the Code of Federal Regulations states in relevant part, that the Commission may determine that amount(s) of any payments made to a candidate from the matching payment account were used for purposes other than those set forth in paragraphs (b)(2)(i) (A)-(C) of this section: (A) defrayal of qualified campaign expenses, (B) repayment of loans which were used to defray qualified campaign expenses, and (C) restoration of funds which were used to defray qualified campaign expenses.

Section 9038.2(b)(3) of Title 11 of the Code of Federal Regulations explains that the Commission may determine that amounts expended by the candidate, the candidate's authorized committees, or agent were not documented in accordance with 11 CFR 9033.11. Such amounts are subject to repayment.

Section 441a(a)(1)(A) of Title 2 of the United States Code states that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office that, in the aggregate, exceed \$1,000.

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution in connection with any election for Federal office.

Section 116.3(a) of Title 11 of the Code of Federal Regulations states that a commercial vendor that is not a corporation may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee. An extension of credit will not be considered a contribution to the candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendor's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation.

Section 116.3(b) of Title 11 of the Code of Federal Regulations states 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.

Section 116.3(c) of Title 11 of the Code of Federal Regulations states that in determining whether credit was extended in the ordinary course of business, the Commission will consider: (1) whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit; (2) whether the commercial vendor received prompt payment in full if it previously extended credit to the same candidate or political committee; and (3) whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

Background and Historical Activity of Vendors

LCNBW entered into contractual agreements in 1999 with seven regional vendors, which operated offices in various states for LCNBW. According to LCNBW's response to the Preliminary Audit Report (PAR) five of the vendors (American System Publications, Inc. (ASP), Southeast Literature Sales, Inc. (SELS), Mid-West Circulation Corp. (MCC), Eastern States Distributors, Inc. (ESDI), and Southwest Literature Distributors, Inc. (SWLD)) were incorporated in 1987 as not for profit corporations. "EIR News Services, Inc. (EIRNS), and Hamilton System Distributors, Inc. (HSDI) were incorporated as for profit entities although they do not operate to generate a commercial profit." The response to the PAR further explains that EIRNS is a publishing corporation and was incorporated in 1985 and HSDI was incorporated in 1987. The response to the PAR goes on to state that the regional vendors have as their primary purpose the dissemination of political, philosophical, and scientific literature and ideas originated by Lyndon LaRouche and his political associates.

The seven regional vendors have worked for the LaRouche presidential committees in 1988, 1992, 1996¹, 2000, and are working on the 2004 campaign. The PAR response suggests that the reason that the activity levels apparent in the 2000 campaign are much greater than in previous campaigns is a change in campaign strategy. According to the PAR response, the three prior presidential campaigns had as a substantial focus national television and other major media addresses by the candidate with direct literature distribution activities serving to amplify the media addresses. The 2000 Presidential campaign adopted a strategy emphasizing grassroots political organizing which substantially increased the literature distribution services and facilities use provided to the campaign by the regional vendors.

The response also explained that over the 15 years or more of their existence the regional vendors' incomes have been derived from subscription and single-issue sales of books, videotapes, periodicals and other publications, and from contributions and donations by the general public. The literature distributors purchase wholesale literature from four publishing entities² and sell it retail to the general public. A management company for the publishers, Publication and General Management, Inc. (PGM), provides uniform computer reporting services by which subscription and other sales and contribution items are entered and reported at the point of sale or contribution and at PGM in Leesburg, Virginia.

The contracts were for services performed commencing July 1997 through "close of business of the day on which the Democratic Party nominates its candidate for President at its Year 2000 nominating convention, except for such activities as may be

¹ The amounts paid to the seven regional vendors in the 1996 election were substantially less than in the 2000 election.

² The publishing entities are EIRNS (publisher of a weekly print and web-based national and international news magazine, *EIR*), KMW Publishing Company (publisher of the weekly newspaper, the *New Federalist*), the Schiller Institute (publisher of *Fidelio* magazine), and 21st Century Associates (publisher of *21st Century Science and Technology* magazine).

necessary for winding down the campaign.” The vendor services prior to April 1999 were included in each contract as a lump sum amount. Fees for services were calculated monthly starting in April 1999. LCNBW invoices were grouped in two broad categories: facilities contract expenses and other expenses. The facilities contract expenses were those expenses covered under the contract such as public relations, literature distribution, access to company existing networks, lists of customers and contacts, and office space and facilities. The other expenses were reimbursable items such as costs of room rentals and incidentals for public campaign meetings and press conferences, automobile rentals, mailings, and rentals of office space or accommodations retained for the exclusive use of LCNBW campaign activities.

Cost Allocation

The regional vendors allocated a portion of their costs to LCNBW based on an activity ratio, defined by LCNBW as “the number of contributions raised for the Committee through use of the facilities [divided] by the total of all sales and contribution transactions for the distribution company.” Records used to derive the activity ratio and the calculations of the ratios were handled by PGM.

Markup

The LCNBW allocable amount was then marked up. The markup percentages were 80% for July 1997 through September 1999, 50% for October through December 1999, and no markup for January through December 2000. According to LCNBW representatives, the markup was based on an agreement between the vendor and LCNBW to provide sharply increased activities on behalf of LCNBW to ensure adequate payment during the startup of the active phase of the campaign. It was further agreed that the markup would be reduced and then eliminated once LCNBW was well established. In the response to the PAR, LCNBW discussed and enumerated the purpose for the markup:

The purpose of the 80% (September 1997 – September 1999) and 50% (October – December 1999) markups to the allocable charge was three-fold. First, it was assumed that not all costs which should be part of the base-line projections forward or back from April, 1999 would be captured in the initial reticulation of baseline charges and that some highly variable costs, such as automobiles (gasoline and repairs), and field, travel and meeting costs would be underestimated. Second, the markups assured that certain one-time start up costs, such as the use of company lists and contributor data for fund-raising and intangible costs were adequately compensated. Finally, the markups served as a method of advance payment on services to be rendered, a bad debt reserve in the circumstances of this political campaign, and a potential means to generate a small profit.

In its response to the PAR, LCNBW also discussed the markup in relation to the extension of credit by the vendors. Referencing section 116.3(a) of Title 11 of the

Code of Federal Regulations and various Commission Advisory Opinions³, LCNBW noted that if an entity was not in the business of providing the services it is providing to a campaign and cannot demonstrate a program of offering similar services on similar terms to others, then it must seek sufficient payment in advance of the services rendered to insure against any possible shortfall. LCNBW recognized that these vendors did not provide services to others but noted that the 80% and 50% markups utilized to arrive at the fees charged met the requirements set forth in the Advisory Opinions for advance payments.

Monthly Fee

In addition, a monthly fee was charged. From July 1997 through December 1998 the fee was \$150 per month. For calendar year 1999 a \$750 per month fee was charged. The information provided does not explain how the monthly fee relates to the enumerated reasons for the markup such as “a potential means to generate a small profit”, underestimated startup costs, or intangibles.

Total Invoices

LCNBW was invoiced a total of \$2,456,680 by the regional vendors; \$2,049,972 were facilities contract expenses; and \$406,708⁴ were other expenses.⁵ LCNBW paid the seven regional vendors approximately \$2,051,364 in total as of August 16, 2000; \$1,657,057 in facilities contract expenses; and \$394,307 in other expenses.

Prior to the exit conference, the Audit staff concluded that the broadly worded contracts and nonspecific invoices did not satisfy the candidate’s “burden of proving that disbursements by the candidate or any authorized committee(s) or agents thereof are qualified campaign expenses, especially given the less than arm’s length nature of the relationship between LCNBW and the vendors⁶. At the exit conference, the Audit staff informed and presented LCNBW with a schedule listing the total amount for each of the seven regional vendors, that would be considered non-qualified campaign expense due to lack of documentation, unless upon review of vendor documentation, the Audit staff could be confident that these facilities contract expenses were in fact qualified campaign expenses. The Audit staff also discussed the Section 116.3, extension of credit, issue with LCNBW. LCNBW representatives made no comment on this issue at that time. The Audit staff requested and LCNBW provided additional records for two

³ LCNBW referred to Advisory Opinions, 1991-32, 1994-37 and 1997-15, in its response to the PAR.

⁴ Of the \$406,708 in other expenses. \$302,105 was billed by EIR News Services, Inc., most of this was for advertising and editorial services.

⁵ LCNBW did not prepare a spreadsheet with the breakdown of facilities contract and other expense for American System Publications, Inc. The Audit staff used the actual facilities contract invoices to determine which invoices were other expenses.

⁶ The response to the PAR noted that some of the billing adjustments that LCNBW agreed with were the result of errors made by the LCNBW Assistant Treasurer when calculating the amounts due to three of the vendors at March 31, 1999. It therefore appeared that the Assistant Treasurer also had responsibilities associated with the at least some of the vendors.

regional vendors, SELS and ESDI. The Audit staff determined that the vendors had over billed LCNBW and information and documentation provided was not sufficient to establish the payments to these vendors as qualified campaign expenses.

PAR Recommendation

In the PAR, the Audit staff recommended that, within 60 calendar days of service of the report:

- LCNBW provide documentation supporting amounts billed by the seven regional vendors. The documentation was to be similar to what was requested for ESDI and SELS.
- For the mark up percentages, provide additional explanation and documentation to demonstrate the derivation and changes to the percentage used.
- For the activity ratios used by the regional vendors, documentation should be provided to substantiate the figures used in the calculation of the ratios. The documentation should include samples of the literature distributed, and documentation for the numbers listed. PGM should be contacted to provide the worksheets for each billing period, itemizing the number of campaign transactions versus other transactions used by the regional vendors to calculate the activity ratio. Further an explanation and justification should be provided for weighting of factors in the calculation and for any activity that was excluded from the calculation.

Absent such documentation, the Audit staff stated that it would recommend that the Commission make a determination that \$438,285 [$\$1,626,290 \times .2695^7$] was repayable to the United States Treasury pursuant to 11 CFR 9038.2(b)(2).

Further, the Audit staff recommended that LCNBW provide additional documentation, to include statements from the vendors, which demonstrated that the credit extended was in the normal course of the vendor's business and did not represent a prohibited contribution by the vendor. The information provided was to include examples of other nonpolitical customers and clients of similar size and risk for which similar services have been provided and similar billing arrangements have been used. Also, provide information concerning billing policies for similar nonpolitical clients and work, advance payment policies, debt collection policies, and billing cycles.

Response to the PAR-Production of Regional Vendor Records

LCNBW responded to the PAR on October 4, 2002 by supplying selected records for all seven regional vendors. The records were made available for review in

⁷ This figure (.2695) represented LCNBW's repayment ratio as calculated at the time of the PAR.

Leesburg, Virginia prior to the response deadline. The materials presented included more documentation than had been provided by SELS and ESDI before the PAR, however less than requested in the PAR. LCNBW provided bank statements for all seven vendors. According to LCNBW these were the only bank accounts of the seven regional vendors. They also provided cancelled checks and additional documentation such as receipts, invoices, and memoranda to support the expenditures allocated to LCNBW. They did not submit any documentation except the bank statements for the disbursements that were not allocated to LCNBW. LCNBW did acknowledge a shortfall in documentation for baseline expenses for SELS and ESDI. According to the response LCNBW received \$80,472 in refunds from SELS.

The Audit staff calculated billable amounts using the records provided for each of the vendors. Based on these calculations, the Audit staff used the amounts documented by LCNBW for five vendors; for the remaining two vendors Audit staff figures were used.⁸ The vendors did not provide documentation for expenses outside those expenses used in their billing process. Therefore, no comment can be made concerning vendor expenses outside the transactions involving LCNBW. Further, some vendors had made disbursements in cash, primarily for field worker expenses, that cannot be verified. In some cases those expenses were apparently paid from daily cash receipts and therefore, did not pass through the regional vendor's account.

Mark-Up Percentages

As LCNBW stated, part of the mark-up served as a method of advance payments, "a bad debt reserve". LCNBW did not specify what part of the 80% and 50% mark up was for this purpose. As discussed above, LCNBW listed a number of purposes served by the markup. However, there is no support for the assumption that "not all costs which should have been part of the base-line projections forward or back from April, 1999 would be captured in the initial reticulation of baseline charges and that some highly variable costs, such as automobiles (gasoline and repairs), field, travel, and meeting costs would be underestimated". As for the compensation for one-time startup costs and intangibles, no accounting of those costs was provided. The vendors had been providing services since 1997 at a very low level and were billed and paid for those services as a lump sum expense. Thereafter, specific expenses were included in the calculation of the monthly billings. As for a profit, the response points out that five of the vendors were non-profit corporations and the other two do not operate to generate a commercial profit. Thus little or none of the markup appears to relate to a profit. Further, in 1999 each vendor was paid a \$750 per month fee and it is not clear how those payments may relate to the listed justifications for the mark up. Given the above and the lack of any allocation of the mark up among the various enumerated purposes that it served, in the Audit staff's opinion, the mark up should be considered primarily advance payment that should have been applied to the billings later in the campaign. Based on these advance payments, the Audit staff is in agreement that LCNBW would not have large outstanding debts to these vendors over long periods of time and therefore LCNBW

⁸ Audit staff figures were used for ASP and SELS due to irreconcilable differences between the Audit calculated figures and the figures documented by LCNBW.

did not receive extensions of credit outside the normal course of business. However as advance billings or advance payments, it is necessary to adjust those amounts out of the total amount billed to avoid overpayments. When these adjustments are made LCNBW would have an accounts receivable from five of the vendors as of the date of ineligibility. The total amount of the mark-up resulting from the application of the 80% and 50% to the documented expenses of the regional vendors amounts to \$413,883.

Activity Ratio

LCNBW also submitted an Activity Ratio Detail Report showing each transaction on a daily basis to support how the activity ratio was calculated. Although LCNBW did submit the minimum amount requested in the PAR, it did not submit any documentation to support the accuracy of the daily entries on the Activity Ratio Detail Reports. The Assistant Treasurer for LCNBW stated there was no way to tie this activity into the bank statements of the vendors, since the activity reports did not have a relationship to the actual receipts deposited in the vendors account. According to LCNBW's response to the PAR "The PGM computer reporting system was then utilized to determine, for any given month, the number of financial transactions for a distributor which were campaign transactions and contributions and the number of financial transactions which constituted non-campaign sales, subscriptions, and contribution activities". The activity ratios for the seven vendors varied from 64% during the campaign to .7% for periods after the date of ineligibility.

After reviewing the material submitted by LCNBW the Audit Staff arrived at the following conclusions. LCNBW did submit a substantial amount of additional information to support the activity ratio. Each type of transaction is counted for each day; however, no source documentation is available to support the individual and daily entries. The Audit Staff acknowledges that it was necessary for LCNBW and the vendors to devise some method for allocating expenses that related, in part, to the campaign. Though source documentation for the daily entries would be desirable, the method the vendors' used does appear to be reasonable and is supported by a large volume of detailed information. Finally, the ratios appear to be mathematically correct.

The review of documentation resulted in differences between LCNBW's and the Audit staff's amounts of \$507,890. Of this amount \$413,883 results from the disallowance of the 80% and 50% mark-ups on vendor billings, as discussed above. The remaining difference of \$94,007 stems primarily from a lack of documentation from the regional vendors or the disallowance of some of the expenditures. Listed below are the regional vendor amounts as calculated by both LCNBW and the Audit staff, and the resulting differences.

Company	Committee Numbers	Audit Numbers	Difference
ASP	291,430	211,159	80,271
ESDI	229,062	179,369	49,693
EIRNS	344,342	239,245	105,097
HSDI	282,613	207,219	75,394
MCC	291,854	232,786	59,068
SELS	299,484	200,262	99,222
SWLD	186,960	147,815	39,145
Total	\$1,925,745	\$1,417,855	\$507,890

The differences for EIR, aside from the differences resulting from the disallowance of the mark-ups, consist of the rejection of expenses for rent (\$31,070) paid on a farm in Round Hill, VA. The connection between the campaign and those expenses is not clear.

The differences for ASP, aside from differences arising from mark-ups, result from a lack of documentation to justify LCNBW's submitted numbers (\$28,110). Of this difference, \$18,538 relates to billings from documentation supplied for periods prior to April 1, 1999 that the Audit staff did not accept, LCNBW submitted amounts prior to this date in lump-sum amounts. The Audit staff had already included those lump-sum amounts in its calculations.

In addition, with its response to the PAR, LCNBW submitted adjusted numbers for SELS that significantly lowered the billable amounts, however, the reviewed documentation was still insufficient to support the figures. LCNBW has admitted that there is still a shortage of documentation for this company (\$34,828)⁹.

Summary - Non-qualified Amount and Repayment Calculation

LCNBW paid the regional vendors a total of \$1,656,048 in facilities contract costs through August 16, 2000 (Mr. LaRouche's date of ineligibility). As of that date, the Audit staff calculated that LCNBW over-paid five of the regional vendors a total of \$301,669, \$214,544 after netting the refunded amount of \$80,472 received from SELS, and a total of \$6,653 in other amounts due for the regional vendors. In addition, LCNBW made payments to EIRNS, HSDI, and SELS totaling \$39,209 between August 17 and September 6, 2000, the period when LCNBW's accounts contained public funds. This amount is added to the over-payments to determine the total amount subject to a ratio repayment¹⁰.

⁹ LCNBW response acknowledges a remaining shortage of \$33,650, a difference of \$1,178 from Audit staff numbers.

¹⁰ If all or a portion of the overpayments are recovered from the vendors, the repayment will be reduced accordingly.

Recommendation #1

Based on the above, the Audit staff recommends that the Commission make a determination that \$70,139 [(\$214,544 + \$39,209) x .2764¹¹] is repayable to the United States Treasury pursuant to 11 CFR 9038.2(b)(2).

B. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS

Section 9034.5(a) of Title 11 of the Code of Federal Regulations requires that within 15 calendar days after the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which reflects the total of all net outstanding obligations for qualified campaign expenses plus estimated necessary winding down costs.

In addition, Section 9034.1(b) of Title 11 of the Code of Federal Regulations states, in part, that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 CFR 9034.5, that candidate may continue to receive matching payments provided that on the date of payment there are remaining net outstanding campaign obligations.

The Candidate's date of ineligibility was August 16, 2000. The Audit staff reviewed LCNBW's financial activity through September 30, 2000, analyzed and estimated winding down costs (through December 31, 2003), and prepared the Statement of Net Outstanding Campaign Obligations (NOCO statement) that appears below. The deficit on the NOCO statement presented below is substantially less than the deficit on the NOCO statement provided by LCNBW. The majority of the difference is due to the reduction in accounts payable to the seven regional vendors discussed in section A above.

¹¹ This figure (.2764) represents LCNBW's repayment ratio as calculated pursuant to 11 CFR 9038.2(b)(2)(iii).

LAROUCHE'S COMMITTEE FOR A NEW BRETTON WOODS
STATEMENT OF NET OUTSTANDING CAMPAIGN OBLIGATIONS

As of August 16, 2000

As Determined at December 31, 2002

Assets

Cash in Bank	\$24,038 a	
Accounts Receivable		
Vendor Deposits	\$23,866	
Vendor Refunds-Regional Vendors	\$214,544	
Capital Assets	<u>\$5,823</u>	
Total Assets		\$268,271

Obligations

Accounts Payable for Qualified Campaign Expenses	\$322,883	
Actual Winding Down Expenses	\$25,875 b	
Estimated through 12/31/03	\$10,100	
Due to the U.S. Treasury - Stale-dated Checks	<u>\$3,281</u>	
Total Obligations		<u>\$362,139</u>
Net Outstanding Campaign Obligations		<u><u>(\$93,868)</u></u>

FOOTNOTES TO THE NOCO

- a. This figure includes the amount of stale-dated checks, (\$3,281).
- b. The inclusion of estimated fundraising costs (\$39,082) is not included in the Audit staff's NOCO since sufficient moneys had been raised to eliminate the deficit.

C. MATCHING FUNDS RECEIVED IN EXCESS OF ENTITLEMENT

Section 9034.1(b) of Title 11 of the Code of Federal Regulations states that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 CFR 9034.5, that candidate may continue to receive matching payments for matchable contributions received and deposited on or before December 31 of the Presidential election year provided that on the date of payment there are remaining net outstanding campaign obligations, i.e., the sum of the contributions received on or after the date of ineligibility plus matching funds received on or after the date of ineligibility is less than the candidate's net outstanding campaign obligations. This entitlement will be equal to the lesser of: (1) the amount of contributions submitted for matching; or (2) the remaining net outstanding campaign obligations.

Section 9038.2(b)(1) of Title 11 of the Code of Federal Regulations entitled *Bases for repayment - payments in excess of candidate's entitlement* states, in part, that the Commission may determine that certain portions of the payments made to a candidate from the matching payment account were in excess of the aggregate amount of payments to which such candidate was entitled. One example of such excessive payments is payments made to the candidate after the candidate's date of ineligibility where it is later determined that the candidate had no net outstanding campaign obligations as defined in 11 CFR 9034.5.

The Audit staff's NOCO statement as presented above, indicated a deficit of \$93,868 as of August 16, 2000, the Candidate's date of ineligibility. The calculation of matching funds received in excess of the Candidate's entitlement follows:

Net Outstanding Campaign Obligations (deficit) as of 8/16/00 per the Audit staff's calculation		(\$93,868)
Net Private Contributions Received 8/17/00 to 9/1/00		<u>36,412</u>
Remaining Entitlement on 9/1/00		(57,456)
Matching Funds received on 9/1/00		<u>50,968</u>
Remaining Entitlement on 9/1/00		(6,488)
Net Private Contributions Received 9/2/00 to 10/1/00		<u>29,631</u>
Remaining Entitlement on 10/1/00		-0-
Matching Funds received on 10/1/00 to 4/2/01		163,272
Amount in Excess of Entitlement		<u>(\$163,272)</u>

In the PAR, the Audit staff recommended that LCNBW provide documentation demonstrating that it was entitled to the matching funds it received. LCNBW did supply additional documentation and additional work was performed as stated in the previous finding. In addition, in its written response to the PAR, LCNBW stated that after reviewing the additional documentation, the Audit staff should determine

that no repayment is required other than that arising from the stale dated checks. This was not the case.

Recommendation #2

The Audit staff recommends that the Commission determine that LCNBW has received matching funds in excess of entitlement in the amount of \$163,272 and that an equal amount is repayable to the U.S. Treasury.

D. STALE-DATED CHECKS

Section 9038.6 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 identified 47 stale-dated checks totaling \$4,370. The checks were dated between April 22, 1999 and August 10, 2000 and had not cleared the bank as of September 30, 2001.

This matter was discussed at the exit conference and LCNBW was provided with a detailed schedule of stale-dated checks. LCNBW representatives had no response.

The Audit staff recommended in the PAR, that LCNBW provide evidence that the checks were not outstanding (i.e., copies of the front and back of the negotiated checks), or that the outstanding checks were voided and that no LCNBW obligation existed. Absent such evidence, the Audit staff recommended that LCNBW repay \$4,370 in stale-dated checks to the United States Treasury.

Subsequent to the receipt of the PAR, LCNBW submitted additional information with respect to some of the outstanding checks. The Audit staff updated the list of outstanding checks and determined that the revised amount was \$3,281.

Recommendation #3

The Audit staff recommends that the Commission determine that a payment of \$3,281 is due the United States Treasury.

IV. SUMMARY OF AMOUNTS DUE TO THE U.S. TREASURY

Finding II.A.	Apparent Non-Qualified Campaign Expenses	\$ 70,139
Finding II.C.	Matching Funds Received in Excess of Entitlement	\$ 163,272
Finding II.D.	Stale-Dated Checks	<u>\$ 3,281</u>
	Total	<u>\$ 236,692</u>



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

RECEIVED
FEDERAL ELECTION
COMMISSION
AUDIT DIVISION

2003 APR 17 P 3

April 17, 2003

MEMORANDUM

TO: Robert J. Costa
Deputy Staff Director

THROUGH: James A. Pehrkon *JAP*
Staff Director

FROM: Lawrence H. Norton *LHN*
General Counsel

Gregory R. Baker *GRB*
Acting Associate General Counsel

Lorenzo Holloway *LH*
Assistant General Counsel

Michelle E. Abellera *MEA*
Attorney

SUBJECT: Report of the Audit Division on LaRouche's Committee for a New Bretton Woods (LRA #565)

I. INTRODUCTION

The Office of General Counsel reviewed the proposed Report of the Audit Division ("Proposed Report") on LaRouche's Committee for a New Bretton Woods ("the Committee") submitted to this Office on February 11, 2003. This memorandum summarizes our comments on the Proposed Report.¹ Our comments address two procedural issues and a repayment finding. We concur with any findings not specifically discussed in this memorandum. If you have any questions, please contact Michelle E. Abellera, the attorney assigned to this audit.

¹ The Office of General Counsel recommends that the Commission consider this document in open session. See 11 C.F.R. § 9038.1(e)(1).

II. FACTUAL BACKGROUND

The Committee, which sought to reach voters through grassroots organizing, operated a massive outreach campaign of policy broadsides and leaflets, pamphlets, books, and discussions. The Committee entered into contracts with seven regional vendors to distribute the literature.² The Committee estimates that the vendors distributed at least 8,502,500 leaflets (18 separate titles and topics), 4,674,00 pamphlets (17 separate titles), 76,976 videos (14 separate programs), 185,000 books and 80,000 releases and posters. The vendors also solicited and collected contributions for the Committee.

According to the Committee, the vendors have as their primary purpose the dissemination of political, philosophical and scientific literature and ideas originated by Lyndon LaRouche and his political associates. At the same time that the vendors were distributing literature on behalf of the campaign and generating/collecting campaign contributions, the vendors were also conducting non-campaign-related business activities for the Candidate.³ These business activities also involved literature distribution and sales. Furthermore, some of the same literature distributed in the vendors' normal course of Lyndon LaRouche business was also distributed for the campaign. The Committee indicates that the income of the vendors, for the 15 years or more of their existence, has been derived from subscription and single issue sales of books, videotapes, periodical and other publications, and contributions and donations by the general public.

Given that the vendors were involved in two activities at the same time, the Committee had to allocate the vendors' expenses to determine the amount the vendors should charge to the Committee for campaign-related activity. To properly allocate campaign-related expenses to the Committee, the vendors applied an activity ratio. The activity ratio represented the number of disbursement and contribution transactions for a vendor which were campaign transactions compared to the number of financial transactions which constituted non-campaign sales, subscription and contribution activities ("other transactions").

The vendors also charged the Committee a markup percentage. The Committee claims the markup percentage represented payment for underestimated and highly variable vendor costs, startup and intangible costs and advance payment/bad debt reserve. The vendors applied the markup percentage to their baseline monthly operational expenses for the months of April through September 1999 (80% markup) and October through December 1999 (50% markup)

² In addition to literature distribution, the vendors performed other services. See *intra* note 9

³ This Office notes that five of the vendors are incorporated as not-for-profit corporations, the two remaining vendors, although incorporated as for-profit entities, "do not operate to generate a commercial profit." Proposed Report at 5.

The Preliminary Audit Report ("PAR") concluded that the Committee incurred \$1,651,951 in non-qualified campaign expenses for services performed by the seven regional vendors. The PAR requested that the Committee provide documentation supporting the amounts billed by the vendors. The Committee was asked to validate the number of reported campaign transactions included in the activity ratio and to provide an explanation for the variable markup percentages.⁴ In addition, the Audit Division concluded that two vendors overbilled the Committee and that all seven vendors improperly extended credit to the campaign by allowing large debts to accumulate under the contract. The Audit staff requested that the Committee provide additional vendor documentation demonstrating that the vendors did not overbill and that credit was extended in the normal course of business. As a part of its response to the PAR, the Committee provided only selected records for all seven vendors, consisting of bank statements, canceled checks and additional documentation such as receipts, invoices and memoranda to support the expenditures allocated to the Committee.

III. PROCEDURAL ISSUES

The Committee's PAR response raises two procedural issues. First, the Committee argues that it sufficiently documented the vendor expenses with the materials supplied at the start of the audit fieldwork. The Committee argues that "vendors who are not agents of the campaign are not required under 11 C.F.R. § 9033.11 to keep the type of detailed records which are required of the campaign or its agents."⁵ The Committee argues that the documentation provided during the audit—the vendor contracts and the invoices and cancelled checks showing payment to the vendors—met all the specificity requirements of 11 C.F.R. § 9033.11. *See* 11 C.F.R. § 9033.11. Hence, it was unnecessary and unlawful for the Commission to request further documentation from third party vendors.⁶ Second, the Committee argues that because it provided new information which may be included in the proposed Audit Report, the Committee has a

⁴ The Audit Division requested "bank statements, deposit slips, canceled checks, debit and credit memoranda for all accounts; workpapers showing the computation of the activity ratio including but not limited to an explanation of how receipts were tracked, computerized records, documentation or explanation for the markup percentage charged, source documents and other related materials for all contract and lease agreements; audit reports or financial statements prepared by an external accounting firm; tax returns; invoices and receipts for all expenses, and documentation demonstrating the derivation of staff billing hours." PAR Attachment 1.

⁵ As the Committee explains, "an agent must hold express or implied authority to make expenditures on behalf of the campaign. Here, the contract specifies that the vendors are being reimbursed for use of their facilities and specific organizing services. Under the contract, only the Treasurer can authorize expenditures by the campaign."

⁶ The voluminous documentation required the Audit staff to travel to the Committee's headquarters in Leesburg, Virginia to review the materials. This additional fieldwork continued for three weeks. The Committee argues that, by conducting this "endless audit," the Commission has abused its statutory and regulatory authority. *See* 11 C.F.R. § 9033.1

right to respond to all issues—including changes from the PAR and any new findings—prior to the Commission’s consideration of the Audit Report.

The documentation regulation is concerned with both ensuring that a payment actually was disbursed and that it was used for an appropriate purpose. *Fulani for President v. FEC*, 147 F.3d 924, 928 (D.C. Cir. 1998). The documentation requirement also satisfies the “public’s right to know how tax monies are distributed.” *Reagan-Bush Committee v. FEC*, 525 F. Supp. 1330, 1340 (D.D.C. 1981). Although the vendor contracts and invoices, taken as whole, may have met the minimum documentation requirements of 11 C.F.R. § 9033.11, the Commission may ask the Committee for additional information when there are remaining questions about the Committee’s disbursements.⁷ 11 C.F.R. § 9033.1(b)(3). Furthermore, candidates are required to obtain and furnish to the Commission upon request all documentation relating to funds received and disbursements made on the candidate’s behalf by other political committees and organizations associated with the candidate. 11 C.F.R. § 9033.1(b)(6).

Given the close relationship of the vendors and the Committee, as well as other LaRouche entities, the Commission had the authority to treat the vendors as “organizations associated with the candidate” and ask the Committee for additional vendor documentation. Thus, a review of vendor documentation was not only lawful but necessary to determine whether the vendors’ expenses allocated to the campaign were for the purpose of seeking the nomination. See 11 C.F.R. § 9032.9(a)(2); *Fulani*, 147 F.3d at 928.

In addition, the Committee does not have a right to respond to the proposed Audit Report prior to the Commission’s consideration. There are no provisions contained in the regulations that permit a committee to submit additional comments or responses prior to the Commission’s consideration of the proposed Audit Report. See 11 C.F.R. § 9038.1(c)(2). The Committee is concerned that the additional vendor information will give rise to new findings that were not covered by its original response to the PAR. However, the regulations specifically state that “the Commission-approved audit report may address issues other than those contained in the [PAR].” 11 C.F.R. § 9038.1(d)(1).⁸

⁷ According to the Audit staff, all requests for additional documentation and information regarding vendor expenses were made through the Committee

⁸ See also *Financial Control and Compliance Manual for Presidential Primary Candidates Receiving Public Financing* (April 2000), Chapter 10, Section D 2 h (“Occasionally the audit report may contain one or more findings that were not discussed at the exit conference or in the Preliminary Audit Report... These findings are generally the result of additional information that comes to light after the audit field work or information provided by the campaign in its response to the Preliminary Audit Report”) If the Committee disputes any repayment determination arising out of the Audit Report, it may request an administrative review pursuant to 11 C.F.R. § 9038.2(c)(2).

IV. NON-QUALIFIED CAMPAIGN EXPENSES

In the PAR, the Audit Division concluded that the Committee incurred \$1,651,951⁹ in non-qualified campaign expenses for services performed by the seven regional vendors. After reviewing the response to the PAR, the Audit Division now accepts all but \$484,033 of the vendor expenses as qualified campaign expenses. The Audit staff disallowed all markup charges, totaling \$390,026, and disallowed vendor expenses totaling \$94,007¹⁰ ($\$390,026 - \$94,007 = \$484,033$).

A. Activity Ratio

In response to the PAR, the Committee submitted Detailed Summary Reports showing individual and daily entries of campaign-related transactions and sales for all seven vendors. The Audit Division accepts the majority of vendor costs calculated under the activity ratio as qualified campaign expenses. The Committee submitted a substantial amount of additional information to support the activity ratio. The information was extremely detailed with respect to the date and type of each purported campaign-related transaction. The Audit staff concluded that the activity ratio was a reasonable method of allocating expenses and also noted the mathematical accuracy of the reported activity ratios.

While it is true that the Committee provided very detailed information related to the activity ratio calculation, the documentation is not complete: the missing piece to the equation is the information that would demonstrate that the vendors were justified in classifying any particular expenditure as campaign-related. For example, the Detailed Summary Report shows the vendor Eastern States Distributor, Inc. ("ESDI") conducted approximately 930 contribution and subscription transactions in the period December 17 through December 31, 1999. Of this amount, the Committee claims that approximately 207 transactions were campaign-related. Therefore, the Committee used these 207 transactions to calculate the activity ratio for the ESDI expenses charged to the Committee. Unfortunately, there is no information to support the vendor's conclusion that it made 207 campaign-related transactions from December 17 through December 31, 1999. This problem is exacerbated by the fact that we know that the vendors were engaged in similar, but non-campaign-related activity, at the same time.

⁹ The Committee was invoiced a total of \$2,450,531 by the regional vendors. The \$1,651,951 figure represents the portion of non-qualified campaign expenses paid while the Committee's bank account still contained federal funds. See 11 C.F.R. § 903b 2(b)(2)(iv)

¹⁰ The \$94,007 figure includes expenses for rent paid on a farm in Leesburg, Virginia (\$31,070) and disbursements to two vendors, American Systems Publications (\$28,110) and Southeast Literature Sales (\$34,827), for which no documentation was provided to demonstrate the disbursements were in connection with seeking the nomination.

This Office acknowledges that portions of the amount that the vendors charged to the Committee are undoubtedly campaign-related.¹¹ However, since the vendors were engaged in similar and overlapping activities at the same time, the line between advocacy made in connection with the nomination and general political advocacy is blurred. Thus, we remain concerned that the Committee may have paid the vendors for items that were general political advocacy.

As an alternative to the Audit Division's approach, the Commission could conclude that the expenses at issue should remain nonqualified campaign expenses. The basis for the disallowance of vendor expenses is threefold. First, the close relationship between the Committee and the seven vendors raises questions as to whether the vendors' contracts were arm's length transactions. Second, the vendors performed similar, and arguably indistinguishable, services and activities in both their campaign and non-campaign-related functions. Last, the Committee has the legal burden of documenting its expenses as qualified campaign expenses. 11 C.F.R. § 9033.11(a). The Committee did not submit information demonstrating that any particular vendor expenditure used in calculating the activity ratio was for the purpose of seeking the nomination.¹² 11 C.F.R. § 9032.9(a).

The Office of General Counsel recognizes that there are numerous vendor transactions. As a result, the Committee may find it difficult and burdensome to document the transactions.¹³ Nevertheless, the Commission's request for documentation beyond the minimum amount required by the regulations is consistent with past Commission practice.¹⁴ Also, the request for additional information is justified, given the

¹¹ For example, this Office notes that some literature advocating the election of the Candidate was produced solely for the election. In such instances, vendor expenses associated with the distribution of these materials and all resulting contributions are clearly campaign-related. Therefore, no further documentation is required for those transactions.

¹² For example, Publication and General Management, Inc. ("PGM"), a management company for the literature publishers, provided the Committee with uniform computer reporting services by which subscription and other sales and contribution items were entered and reported at the point of sale or contribution. According to the Committee, campaign-related receipts were "identif[ie]d vis-à-vis previously reported pledges (based on information submitted to PGM, electronically, by committee fundraising volunteers)." Thus, there exists some underlying documentation to support the Daily Summary Reports prepared by PGM. This documentation may provide additional information regarding the reporting, entry and calculation of campaign transactions, and therefore constitute sufficient evidence that the transactions were made in connection with seeking the nomination.

¹³ Should the Committee submit a request for review of the Commission's repayment determination, the Committee may submit this information as a part of its written materials. See 11 C.F.R. § 9038.2(c)(2)(i).

¹⁴ The request for additional documentation from the seven vendors is consistent with the Commission's past treatment of media vendors. According to the Audit staff, expenditures relating to the purchase of media airtime typically account for 50% of a campaign's disbursements. The media vendor invoices do not contain detailed information. Therefore, the Audit staff also requests and reviews additional

following factors: 1) the close relationship between the Committee and the vendors; 2) the vendors were engaged in campaign and non-campaign-related activity for the Committee at the same time; and 3) the transactions were characterized (campaign-related vs. non-campaign-related) at the vendor level.

B. Markup Charges

In its response to the PAR, the Committee stated that the purpose of the markup was threefold: 1) to cover costs not included in the vendors' baseline charges and highly variable costs that were underestimated; 2) to compensate for one-time start up costs; and 3) to serve as advance payment/bad debt reserve and to generate a small profit. However, the Committee did not provide any explanation or documentation demonstrating what portion of the 50% and 80% markups served each of the three purposes.

In the Proposed Report, the Audit Division rejects the markup percentage and all resulting charges.¹⁵ According to the Audit staff, the proffered reasons for the markup were not supported by the facts.¹⁶ This Office agrees with the Audit Division's disallowance of the markup percentages and corresponding charges, as the Committee has neither demonstrated nor explained how the markup charges correspond to their purported purposes. However, we recommend that the Audit Division revise the Proposed Report to include a full discussion of its reasons for rejecting the markup, addressing each purpose offered by the Committee.

media vendor records. These records consist of invoices from TV stations and invoices from subcontractors for production. See Bush-Cheney 2000, Inc. Audit (media vendor subcontracted approximately \$1.5 million of campaign work to other media vendors; Commission requested and reviewed subcontracts and underlying documentation)

¹⁵ According to the Audit staff, the total amount of markup charges resulting from application of the markup percentages to the vendors' documented expenses totals \$390,026. Taking into account the markup charges, the Audit staff recalculated the expenses billable to the Committee and concluded that the Committee over-paid five of the vendors a total of \$191,695.

¹⁶ For instance, the Committee included other charges (i.e. the monthly fee and the lump-sum charge for services performed prior to April 1999) that appear to have covered any underestimated charges and start-up costs. Furthermore, although the funds were deemed advanced payments, they were neither applied to the total amounts billed by the seven vendors nor refunded to the Committee at the close of the election. Also, the Audit staff deemed it unlikely that the markup constituted a source of "small profit" for the vendors, given their status and/or operation as non-profit entities.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 6, 2003

Ms. Kathy Magraw, Treasurer
LaRouche's Committee for a
New Bretton Woods
P.O. Box 89
Leesburg, VA 20178

Dear Ms. Magraw:

Attached please find the Final Audit Report on LaRouche's Committee for a New Bretton Woods. The Commission approved the report on May 1, 2003.

In accordance with 11 CFR §§9038.2(c)(1) and (d)(1), the Commission has made a determination that a repayment to the Secretary of the Treasury in the amount of \$236,692 is required within 90 calendar days after the service of this report (August 4, 2003).

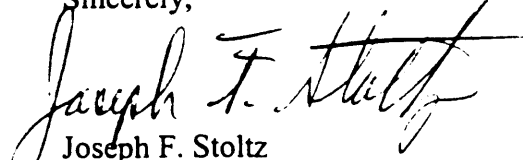
Should you dispute the Commission's determination that a repayment is required, Commission regulations at 11 CFR §9038.2(c)(2) provide you with an opportunity to submit in writing, within 60 calendar days after service of the Commission's notice (July 5, 2003), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. Further, 11 CFR §9038.2(c)(2)(ii) permits a Candidate who has submitted written materials to request an opportunity to address the Commission in open session based on the legal and factual materials submitted.

The Commission will consider any written legal and factual materials submitted within the 60-day period when deciding whether to revise the repayment determination. Such materials may be submitted by counsel if the Candidate so elects. If the Candidate decides to file a response to the repayment determination, please contact Greg Baker of the Office of General Counsel at (202) 694-1650 or toll free at (800) 424-9530. If the Candidate does not dispute this determination within the 60-day period provided, it will be considered final.

The Commission approved Final Audit Report will be placed on the public record on May 9, 2003. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you have related to matters covered during the audit or in the report should be directed to Nicole Burgess or Rhonda Gillingwater of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,



Joseph F. Stoltz
Assistant Staff Director
Audit Division

Attachment as Stated

cc: Mr. Odin Anderson, Counsel



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 6, 2003

Mr. Odin Anderson, Counsel
LaRouche's Committee for a
New Bretton Woods
Four Longfellow Place, Suite 302
Boston, MA 02114

Dear Mr. Anderson:

Attached please find the Final Audit Report on LaRouche's Committee for a New Bretton Woods. The Commission approved the report on May 1, 2003.

In accordance with 11 CFR §§9038.2(c)(1) and (d)(1), the Commission has made a determination that a repayment to the Secretary of the Treasury in the amount of \$236,692 is required within 90 calendar days after the service of this report (August 4, 2003).

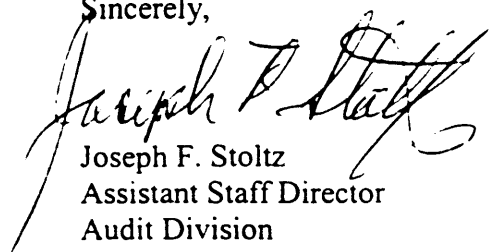
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Any questions you have related to matters covered during the audit or in the report should be directed to Nicole Burgess or Rhonda Gillingwater of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,



Joseph F. Stoltz
Assistant Staff Director
Audit Division

Attachment as Stated

cc: Ms. Kathy Magraw, Treasurer

CHRONOLOGY

LAROUCHE'S COMMITTEE FOR A NEW BRETTON WOODS

Audit Fieldwork	October 30, 2000 - August 29, 2001
Preliminary Audit Report to the Committee	July 17, 2002
Response Received to the Preliminary Audit Report	October 4, 2002
Final Audit Report Approved	May 1, 2003