



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

April 2, 2007

MEMORANDUM

To: Robert W. Biersack  
Press Officer

From: Joseph F. Stoltz *JFS*  
Assistant Staff Director  
Audit Division

Subject: Public Issuance of the Report of the Audit Division on Bush-Cheney '04,  
Inc. and the Bush-Cheney '04 Compliance Committee, Inc.

Attached please find a copy of the audit report which was approved by the Commission on March 22, 2007.

The report may be released to the public on April 2, 2007.

Attachment as stated

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



# Report of the Audit Division on Bush-Cheney '04, Inc. and the Bush-Cheney '04 Compliance Committee, Inc.

July 2, 2003 – December 31, 2004

## Why the Audits Were Done

Federal law requires the Commission to audit every political committee established by a Presidential candidate who receives general funds for the general campaign.<sup>1</sup> The audits determine whether the candidate was entitled to all of the general funds received, whether the campaign used the general funds in accordance with the law and whether the campaign otherwise complied with the limitations, prohibitions, and disclosure requirements of the election law.

## Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## About the Campaign

Bush-Cheney '04, Inc. (General Committee) is the principal campaign committee for President George W. Bush, the Republican Party's nominee for the office of President of the United States. The Bush-Cheney '04 Compliance Committee, Inc. (Compliance Fund) was established to accept contributions to be used solely for legal and accounting services to ensure compliance with Federal election laws. Both are headquartered in Arlington, VA. For more information, see chart on the Campaign Organization, p 2.

## Financial Activity (p. 2)

### Receipts

- Federal Funds Received
- From Individuals
- From Political Committees
- From Authorized Committees
- Offsets
- Loan Received
- Other Receipts

### Total Receipts

### Disbursements

- Operating Expenditures
- All Other Disbursements

### Total Disbursements

	<u>General Committee</u>	<u>Compliance Fund</u>
	\$ 74,620,000	
		\$ 11,146,198
		50,995
		7,171,380
	275,751	308,346
	6,500,000	
	15	123,977
	<b>\$ 81,395,766</b>	<b>\$ 18,800,896</b>
	\$ 72,192,685	\$ 2,643,597
	6,500,015	309,245
	<b>\$ 78,692,700</b>	<b>\$ 2,952,842</b>

## Findings and Recommendations – General Committee

(p. 3)

- Potential In-kind Contributions from Air Charter Providers (Finding 1)
- Expenditure Limitation (Finding 2)

## Additional Issues – General Committee (p. 3)

- In-kind Contributions - Republican National Committee Hybrid Ads (Issue 1)
- Interest Income (Issue 2)

## Findings and Recommendations – Compliance Fund (p. 3)

Based upon our examination of the reports and statements filed by the Compliance Fund, and the records presented, no material non-compliance was discovered.

<sup>1</sup> 26 U.S.C. §9007(a).

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# **Part I**

## **Background**

### **Authority for Audits**

This report is based on audits of Bush Cheney '04, Inc. (General Committee) and Bush-Cheney '04 Compliance Committee, Inc. (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, Section 9009(b) of Title 26 of the United States Code states, in part, that the Commission may conduct other examinations and audits as it deems necessary.

### **Scope of Audits**

These audits examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The receipt of transfers from other authorized committees.
4. The disclosure of contributions and transfers received.
5. The disclosure of disbursements, debts and obligations.
6. The recordkeeping process and completeness of records.
7. The consistency between reported figures and bank records.
8. The accuracy of the Statement of Net Outstanding Qualified Campaign Expenses.
9. The campaign's compliance with spending limitations.
10. Other campaign operations necessary to the review.

### **Inventory of Campaign Records**

The Audit staff routinely conducts an inventory of campaign records before it begins the audit fieldwork. The General Committee's and the Compliance Fund's records were materially complete and the fieldwork began immediately.

## Part II

# Overview of Campaign

### Campaign Organization

	General Committee	Compliance Fund
<b>Important Dates</b>		
• Date of Registration	08/04/2004	07/17/2003
• Audit Coverage Dates	09/1/2004 thru 12/31/2004	07/02/2003 thru 12/31/04
<b>Headquarters</b>	Arlington, VA	Arlington, VA
<b>Bank Information</b>		
• Bank Depositories	1	1
• Bank Accounts	6 Checking Accounts	7 Checking Accounts and 1 Investment Account
<b>Treasurer</b>	David Herndon 08/04/2004 – 01/17/06 Salvatore Purpura 01/18/06 - present	David Herndon 07/17/2003 – 01/17/06 Salvatore Purpura 01/18/06 - present

### Overview of Financial Activity (Audited Amounts)

	General Committee	Compliance Fund
<b>Opening Cash on Hand</b>	\$ 0	\$ 0
<b>Receipts</b>		
• From Individuals		\$ 11,146,198
• Federal Funds Received	\$ 74,620,000	
• From Political Committees		50,995
• From Authorized Committees		7,171,380
• Offsets	275,751	308,346
• Loan Received	6,500,000	
• Other Receipts	15	123,977
• Total Receipts	\$ 81,395,766	\$ 18,800,896
<b>Disbursements</b>		
• Operating Expenses	\$ 72,192,685	\$ 2,643,597
• Transfers to Other Authorized Committees		100
• Loan Repayments Made	6,500,015	
• Refunds to Contributors		246,107
• Other Disbursements		63,038
• Total Disbursements	78,692,700	2,952,842
<b>Closing Cash Balance @12/31/2004</b>	\$ 2,703,066	\$ 15,848,054

## **Part III Summaries**

### **Findings and Recommendations – General Committee**

#### **Finding 1. Potential In-kind Contributions from Air Charter Providers**

It appeared that the General Committee may have reimbursed for the use of private aircraft at an amount less than that required potentially resulting in the receipt of in-kind contributions of \$69,678. In response to the Preliminary Audit Report recommendation, the General Committee provided documentation demonstrating that the amount it paid for each aircraft was the correct reimbursement as a matter of law or fact. (For more detail, see p. 4)

#### **Finding 2. Expenditure Limitation**

The expenditure limitation for the 2004 general election for the office of President of the United States was \$74,620,000. Based on the Commission's actions regarding the Findings and issues contained in this Report, the Audit staff's review of financial activity through December 31, 2006 and estimated winding down costs indicates that the General Committee has not exceeded the limitation. (For more detail, see p. 7)<sup>2</sup>

### **Additional Issues – General Committee**

#### **Issue 1. In-kind Contributions – Republican National Committee Hybrid Ads**

See discussion at page 10.

#### **Issue 2. Interest Income**

Interest accrued on funds transferred from the General Committee to two media accounts totaled \$19,745. (For more detail, see p. 11)

### **Findings and Recommendations – Compliance Fund**

Based upon our examination of the reports and statements filed by the Compliance Fund, and the records presented, no material non-compliance was discovered. (For more detail, see p. 12)

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<sup>2</sup> As discussed in Part V, below, some Commissioners are of the opinion that the 50% allocation of the cost of hybrid ads between the RNC and the General Committee was not in compliance with the Act and Commission regulations and that, therefore, the General Committee should have paid more than 50% of these costs. Approval of this audit report does not reflect approval by those Commissioners of a 50% allocation. The Audit staff notes that, had the Commission taken action on the issues raised in Part V, such action would have resulted in an adjustment of the expenditure limit calculations, and therefore, an Audit staff finding of expenditures over the allowable limits. Some Commissioners considered the 50% allocation to be in accord with past precedent and relevant Commission regulations, so there was no adjustment required against the expenditure limits applicable to the General Committee.

## Part IV

# Findings and Recommendations – General Committee

### Finding 1. Potential In-kind Contributions from Air Charter Providers

#### Summary

It appeared that the General Committee may have reimbursed for the use of private aircraft at an amount less than that required potentially resulting in the receipt of in-kind contributions of \$69,678. In response to the Preliminary Audit Report recommendation, the General Committee provided documentation demonstrating that the amount it paid for each aircraft was the correct reimbursement as a matter of law or fact.

#### Legal Standard

**Contributions Not Permitted.** In order to be eligible to receive any payments from the Presidential Election Campaign Fund, the candidate of a major party in a presidential election shall certify to the Commission that no contributions to defray qualified campaign expenses have been or will be accepted by such candidates or any of their authorized committees except to the extent necessary to make up any deficiency in payments received out of the fund. 26 U.S.C. §9003(b)(2).

**Contribution defined.** A gift, subscription, loan (except when made in accordance with 11 CFR §§100.72 and 100.73), advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office is a contribution. The term anything of value includes all in-kind contributions.

The usual and normal charge for a service is the commercially reasonable rate that one would expect to pay at the time the services were rendered.

The provision of services at a charge less than the usual and normal charge results in an in-kind contribution. The value of such a contribution would be the difference between the usual and normal charge for the services and the amount the political committee was billed and paid. 11 CFR §100.52 (a) and (d).

**Repayment for Contributions Accepted.** If the Commission determines that an eligible candidate of a major party, the candidate's authorized committee(s) or agent(s) accepted contributions to defray qualified campaign expenses (other than contributions to make up deficiencies in payments from the fund, or to defray expenses incurred for legal and accounting services in accordance with 11 CFR §9003.3(a)), 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. 11 CFR §9007.2(b)(5).

**Travel by Airplane – Prior to January 14, 2004.** A candidate or person traveling on behalf of the candidate who uses an airplane owned or leased by a corporation not licensed to provide commercial service must reimburse the corporation the first class air fare for travel between cities with regular commercial service or the usual charter rate where no regular commercial service exists. 11 CFR §114.9(e).

**Travel by Airplane – On or After January 14, 2004.** Campaign travelers who use an airplane that is licensed by the Federal Aviation Administration to operate for hire under 11 CFR part 121, 129 or 135 are governed by the definition of a contribution at 11 CFR §100.52(a) and (d). 11 CFR §100.93(a)(2).

**Contributions by a Limited Liability Company (LLC):** An LLC not electing treatment as a corporation under federal tax law or not having publicly-traded shares will be considered as having been made from a partnership and governed by the rules pertaining to partnerships. 11 CFR §§110.1(b)(1) and (g)(2) and (4).

### **Facts and Analysis**

Effective January 14, 2004, the Commission revised its air travel regulations. Prior to the rule change, air travel was governed by:

- 11 CFR §114.9 – for travel on airplanes *owned or leased* by a corporation or labor organization and *not licensed* to offer commercial services between locations served by regularly scheduled commercial service, the service providers would be paid first class airfare.
- 11 CFR §100.52 – for travel on airplanes *not owned or leased* by a corporation or labor organization, the service providers would be paid the usual and normal charge (the charter rate).

After the rule change, the regulations included a provision that dictated which reimbursed rate is applicable based on how the aircraft is licensed to operate, not on the ownership status:

- 11 CFR §100.93 – for travel on airplanes *not licensed* by the Federal Aviation Administration (FAA) to operate for compensation or hire under 14 CFR Part 121, 129 or 135, the service providers would be paid first class airfare.
- 11 CFR §100.52 – for travel on airplanes *licensed* by the FAA to offer commercial service, the service providers would be paid the usual and normal charge (the charter rate).

However, in promulgating these new aircraft regulations an inadvertent delay in the publication of the effective notice may have caused confusion as to which regulation was applicable to publicly funded candidates in the 2004 general election. As a result, if the General Committee complied with either the old or the new rules it was considered to be in compliance.

The General Committee reimbursed eight providers of ten flights at the first class rate, for a total of \$29,492. All flights occurred on separate days between September 2004 and



November 2004. The providers of these flights included individuals, LLCs<sup>3</sup> and commercial charter companies.

All of these trips were flown on planes which were certified for commercial service by the FAA under 14 CFR parts 121, 129, or 135; and in addition, the service providers did not appear to be corporations or labor organizations. It was unclear if these planes were also certified by the FAA to fly under 14 CFR parts 91 or 125. More information was requested on the nature of the planes, the contracting arrangement, and what FAA certificate or operating authority the planes were flown under for these specific trips. However, given the information the Audit staff had, reimbursement for these flights should have been made at a charter rate.

The Audit staff used the 2004 Spring Charter Guide<sup>4</sup> to determine rates for each flight. Based on the original information provided by the General Committee and other information provided by the FAA, the Audit staff calculated the charter rate cost of each trip using the hourly charter rate for each flight leg and the length of each flight. Thus, for the service provided, at the charter rate the General Committee should have paid \$99,170. By failing to pay a charter rate, the General Committee potentially received in-kind contributions of \$69,678 (\$99,170 - \$29,492).

At the exit conference and in subsequent emails, the Audit staff provided a work paper detailing these flights and discussed the matter with General Committee representatives.

### **Preliminary Audit Report Recommendation and Committee Response**

The Preliminary Audit Report recommended that the General Committee provide documentation that:

- demonstrated that the amount it paid for each aircraft was the correct reimbursement as a matter of law or fact; or,
- demonstrated a lower charter rate is applicable.

Absent such a demonstration, the Audit staff would recommend that the Commission make a determination that \$69,678 is repayable to the United States Treasury.

The General Committee submitted documentation that demonstrated that all questioned flights were flown under 14 CFR Part 91 or the provider was a corporation; and, as such, the first class rate reimbursed by the General Committee is acceptable. The documentation provided is described below:

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<sup>3</sup> Documentation detailing some of the LLC's filing status election for federal tax purposes was not provided during audit fieldwork.

<sup>4</sup> Audit staff used the 2004 Spring Charter Guide because the 2004 Fall Charter Guide was not available until December 2004.

- For two trips, NetJets<sup>5</sup> provided Flight Itinerary Statements which included the flight rule or code, indicating these flights operated under 14 CFR Part 91, the date of the flight, passenger lists and departure and arrival information.
- For one trip, CitationShares provided a Flight Log which included the flight rule or code, indicating the flight operated under 14 CFR Part 91, the date of the flight, the number of passengers and the departure and arrival information.
- For one trip, a letter was provided from Flight Options that stated that the flights were flown under 14 CFR Part 91.
- For one flight, a letter from the Vice President of Operations for Bombardier stated that the flight was flown under 14 CFR Part 91.
- Stargazer Aviation, whose business was chartering flights, requested that its 135 certificate be suspended during the time that it provided two flights and, as such, would then be operating under 14 CFR Part 91. A letter was provided from the FAA's Flight Standards District Office in San Antonio, Texas noting that the suspension was accepted.
- Two flights were offered by an LLC which was formed by an incorporated entity to limit potential liability and is treated as a "disregarded entity" and does not file its own tax return. The LLC's income and expenses flow into the tax statements for the corporation. A signed letter noting this information was provided by the Assistant Treasurer for the LLC.
- For the remaining flight, a letter was provided from the Executive Assistant to the owner of the plane that attests that the flight was flown under 14 CFR Part 91. A "Trip Report" was also provided which stated "Own" under "Type Flight." The letter states that this is short for owner, which is how their flight department identifies a Part 91 flight.

## **Finding 2. Expenditure Limitation**

### **Summary**

The expenditure limitation for the 2004 general election for the office of President of the United States was \$74,620,000. Based on the positions of the Commission regarding the Findings contained in this Report, the Audit staff's review of financial activity through December 31, 2006, and estimated winding down costs, indicates that the General Committee has not exceeded the limitation.

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<sup>5</sup> Netjets, CitationShares, Flight Options and Bombardier offer fractional ownership of jets, and, in effect, operate as management companies for the provision of jet services.

**Legal Standard**

**Expenditure Limitation.** No candidate for the office of President of the United States eligible under 2 U.S.C. §9003 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. The expenditure limitation for the 2004 general election for the office of President of the United States was determined to be \$74,620,000. 2 U.S.C. §441a(b)(1)(B) and (c).

**Repayments.** If the Commission determines that the eligible candidate 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 an amount. 2 U.S.C. §9007(b)(2).

**Net Outstanding Qualified Campaign Expenses (NOQCE).** Within 30 days after the end of the expenditure reporting period, the candidate must submit a statement of net outstanding qualified campaign expenses. The statement must contain:

- The total of all committee assets including cash on hand, amounts owed to the committee and capital assets listed at their fair market value;
- The total of all outstanding obligations for qualified campaign expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9004.9(a)(1) and (b).

**Expenditure Report Period.** In the case of a major party, the expenditure report period begins on the earlier of September 1 before the election or the date on which the major party's nominee is chosen. The period ends 30 days after the Presidential election. For President Bush, the expenditure report period ran from September 1, 2004 to December 2, 2004. 26 U.S.C. §9002(12).

**Facts and Analysis**

As noted above, the expenditure limitation for the 2004 general election for the office of President of the United States was \$74,620,000. Shown on the next page is the Audit staff's analysis of expenditures subject to the limitation.

Reported Operating Expenditures at December 31, 2006	\$ 76,359,412
Add: Accounts Payable	6,944
Estimated Winding Down Costs (January 1, 2006 to May 31, 2007)	210,185
Less: Due from Bush-Cheney '04 (Primary), Inc.	(131,972)
Due from the Compliance Fund	(611,872)
Other Offsets to Operating Expenditures	(833,386)
Accounts Receivable	<u>(379,311)</u>
Net Expenditures Subject to the Limitation	\$ 74,620,000
Expenditure Limitation	<u>74,620,000</u>
Amount In Excess of the Limitation	<u>\$ -0-</u>

As the chart demonstrates, based on the positions of the Commission regarding the Findings contained in this Report, the Audit staff's review of financial activity through December 31, 2006, and estimated winding down costs, indicates that the General Committee has not exceeded the limitation.<sup>6</sup>

Further, the General Committee filed a Statement of Net Outstanding Qualified Campaign Expenses. The Statement of Net Outstanding Qualified Campaign Expenses, prepared by the Audit staff, can be found at page 13. It presents the General Committee's financial position as of December 2, 2004, the end of the expenditure report period; and is adjusted for the General Committee's financial activity through December 31, 2006. The NOQCE supports the result of the expenditures subject to the limitation analysis.

<sup>6</sup> As discussed in Part V, below, some Commissioners are of the opinion that the 50% allocation of the cost of hybrid ads between the RNC and the General Committee was not in compliance with the Act and Commission regulations and that, therefore, the General Committee should have paid more than 50% of these costs. Approval of this audit report does not reflect approval by those Commissioners of a 50% allocation. The Audit staff notes that, had the Commission taken action on the issues raised in Part V, such action would have resulted in an adjustment of the above expenditure limit calculations, and therefore, an Audit staff finding of expenditures over the allowable limits. Some Commissioners considered the 50% allocation to be in accord with past precedent and relevant Commission regulations, so there was no adjustment required against the expenditure limits applicable to the General Committee.

## **Part V**

# **Additional Issues – General Committee**

### **Issue 1. In-kind Contributions – Republican National Committee Hybrid Ads**

#### **Facts and Analysis**

The cost of media ads that identified President Bush and/or Senator Kerry by name and image and referred to other political figures in Congress as allied with President Bush or Senator Kerry without identifying specific candidates was allocated 50% to the General Committee and 50% to the RNC. Senator Kerry and President Bush were the only candidates clearly identified in the ads. Since these ads contained references such as “our leaders in Congress,” “Congressional leaders,” “liberals in Congress” and “liberal allies,” these ads are termed “hybrid ads.”

The Commission addressed whether a 50% allocation of the cost of these hybrid ads is consistent with Commission precedent and existing regulations.

First, the Commission considered the extent to which, if any, 11 CFR §106.1(a) provides guidance regarding the proper allocation for these hybrid ads. Section 106.1(a) of the Commission’s regulations provides that expenditures made on behalf of more than one clearly identified candidate should be attributed to each candidate according to the benefit reasonably expected to be derived (determined by the proportion of space or time devoted to each candidate as compared to the total space or time devoted to all candidates).

Second, the Commission considered the extent to which, if any, 11 CFR §106.8 provides guidance regarding the proper allocation for these hybrid ads. Section 106.8 of the Commission’s regulations provides that a flat 50% allocation is appropriate for the costs of a phone bank conducted by a political committee that refers to one clearly identified federal candidate and “generically refers to other candidates of the Federal candidate’s party without clearly identifying them,” regardless of the space or time devoted to the clearly identified Federal candidate.

Third, the Commission considered the extent to which, if any, the Commission’s advisory opinion issued to Washington State Democratic Central Committee (AO 2006-11) regarding mass mailings provides guidance regarding the proper allocation for these hybrid ads. In AO 2006-11, the Commission noted that although there are no Commission regulations specifically addressing cost allocation for “hybrid ads” (other than for phone banks), “nonetheless an appropriate method for allocating the costs of” such ads (involving mass mailing costs) is to “apply analogous ‘space or time’ principles” as set out in the Commission’s rules that address ads featuring more than one clearly identified candidate. In advising the Washington State Democratic Central Committee that a “space or time” analysis is relevant, the Commission explained that for mass mailing “hybrid ads” where only one candidate is clearly identified, the ad “serves in large measure the purpose of influencing the election of [that] clearly identified

candidate” and therefore the Commission set a floor, that is, a minimum, of 50 percent that must be attributed to the clearly identified candidate, “no matter how much of the space in the mailing is devoted to that candidate.” AO 2006-11 did not, however, involve a presidential candidate; additionally, AO 2006-11 was issued after the 2004 election.

Fourth, the Commission considered the application of 11 CFR §109.21 and AO 2004-01, issued to Bush-Cheney ‘04, Inc. and Alice Forgy-Kerr for Congress, which provided guidance on attribution of coordinated communications between two authorized committees.

There were not the minimum four affirmative votes among the Commissioners required to make a finding as to whether or not the 50% allocation complied with the Act and Commission regulations. Some Commissioners considered the 50% allocation to be in accord with past precedent and relevant Commission regulations, so there was no adjustment required to expenditures applied to the expenditure limits applicable to the General Committee. Some Commissioners were of the opinion that the Act and Commission regulations regarding hybrid ads require the General Committee to pay more than 50%, in which event any adjustment above 50% would apply against the expenditure limits applicable to the General Committee and would have resulted in an Audit staff finding of expenditures over allowable limits.

## **Issue 2. Interest Income**

### **Summary**

Interest accrued on funds transferred from the General Committee to two media accounts totaling \$19,745.

### **Legal Standard**

**Investment of Public Funds: other uses resulting in income.** Investment of public funds or any use of public funds that results in income is permissible, provided that an amount equal to all net income derived from such use, less Federal, State and local taxes paid on such income, shall be paid to the Secretary. 11 CFR §9004.5.

**Income on Investment or other use of payments from the Fund.** If the Commission determines that a candidate received any income as a result of an 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. 11 CFR §9007.2(b)(4).

### **Facts and Analysis**

Interest of \$19,745 was earned on two accounts maintained by media vendors engaged by the General Committee and retained by the vendors. The Commission discussed whether the \$19,745 in interest would be subject to repayment pursuant to 11 CFR §9007.2(b)(4). See 11 CFR §9004.5. After the discussion, there were not the required four affirmative votes among the Commissioners necessary to make a finding. Some Commissioners held

the view that the standard for repayment should be whether the General Committee actually received or benefited from the interest earned by having the interest used to make media buys or to offset commissions. They concluded that because the General Committee did not receive or benefit from the interest earned, no finding or repayment determination would be appropriate. Other Commissioners considered that the purpose for payment of interest or income was to ensure that any income received through the use of public funds benefits the public financing system. They concluded that repayment under these circumstances may be appropriate.

## **Part VI.**

### **Findings and Recommendations – Compliance Fund**

Based upon our examination of the reports and statements filed by the Compliance Fund, and the records presented, no material non-compliance was discovered.

**Part VII.**  
**Attachment**

**Bush-Cheney '04, Inc.**  
**Statement of Net Outstanding Qualified Campaign Expenses**  
**At December 2, 2004**  
**As Determined on December 31, 2006**

**Assets**

Cash in Bank			\$4,028,400	
Accounts Receivable:				
Due from the Compliance Fund	\$611,872	(a)		
Due from the Bush-Cheney '04 (Primary), Inc.	131,972	(b)		
Due from other Vendors	<u>1,124,717</u>		1,868,561	
<b>TOTAL ASSETS</b>				<b>\$5,896,961</b>

**Obligations:**

Accounts Payable:				
For Qualified Campaign Expenses			\$4,747,421	
Due to the Compliance Fund			140,281	(c)
Due to the Bush-Cheney '04 (Primary), Inc.			196,972	(d)
				5,084,674
Winding Down Costs:				
Actual: December 3, 2004 to December 31, 2006	\$602,102	(e)		
Estimated: January 1, 2007 to May 31, 2007	<u>210,185</u>	(f)		812,287
<b>TOTAL OBLIGATIONS</b>				<b>\$5,896,961</b>
<b>NET OUTSTANDING QUALIFIED CAMPAIGN EXPENSES (DEFICIT)</b>				<b><u><u>(\$ -0-)</u></u></b>

**FOOTNOTES TO NOQCE**

- (a) This amount represents Compliance Fund reimbursements for compliance related costs paid by the General Committee.
- (b) This amount represents Primary Committee reimbursements for primary expenses paid before December 2, 2004.
- (c) The General Committee owes the Compliance Fund for its portion of allocable expenses.
- (d) The General Committee owes the Primary Committee for its portion of the allocable expenses paid during the campaign.
- (e) The Compliance Fund has also directly paid \$4,186,243 of winding down costs.
- (f) The Audit staff will review the General Committee's disclosure reports and records to compare actual figures with estimates and prepare adjustments accordingly. Further, the General Committee has not exceeded the winding down cost limitation imposed by 11 CFR §9004.11(b).