



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 9, 2006

MEMORANDUM

TO: ROBERT W. BIERSACK
PRESS OFFICER
PRESS OFFICE

FROM: JOSEPH F. STOLTZ *JF Stoltz*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON
THE COMMITTEE ON ARRANGEMENTS FOR THE 2004
REPUBLICAN NATIONAL CONVENTION

Attached please find a copy of the audit report on the Committee on Arrangements for the 2004 Republican National Convention which was approved by the Commission on April 14, 2006.

All parties involved have received informational copies of the report and the report may be released to the public.

Attachment as stated

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



Report of the Audit Division on the Committee on Arrangements for the 2004 Republican National Convention

May 28, 2002 – December 31, 2004

Why the Audit Was Done

Federal law requires the Commission to audit the national committee of a party who receives payments for presidential nominating conventions.¹ The audit examines the receipt and use of Federal funds and whether the committee 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 Committee (p. 2)

The Committee on Arrangements for the 2004 Republican National Convention (COA) was responsible for the day to day arrangements and operations of the Republican Presidential nominating convention. The COA is headquartered in Washington, DC. For more information, see chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts

○ Federal Funds	\$14,924,000
○ Loans Received	425,000
○ Offsets to Convention Expenditures	40,909
○ Total Receipts	\$15,389,909

• Disbursements

○ Convention Expenditures	\$14,463,319
○ Loan Repayments	425,000
○ Total Disbursements	\$14,888,319

Findings and Recommendations (p. 3)

- Net Outstanding Convention Expenses - Surplus (Finding 1)
- Stale-dated Checks (Finding 2)

¹ 26 U.S.C. §9008(g)

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Part I

Background

Authority for Audit

This report is based on an audit of the Committee on Arrangements for the 2004 Republican National Convention (COA), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9008(g) of Title 26 of the United States Code. That section directs the Commission to conduct an examination and audit of the payments for presidential nominating conventions no later than December 31 of the calendar year in which the presidential nominating convention involved is held.

Scope of Audit

This audit examined:

1. The disclosure of receipts and loans.
2. The disclosure of disbursements, debts and obligations.
3. The recordkeeping process and completeness of records.
4. The consistency between reported figures and bank records.
5. The accuracy of the Statement of Net Outstanding Convention Expenses.
6. The committee's compliance with requirements concerning expenditures for convention expenses.
7. Other committee operations necessary to the review.

Inventory of Committee Records

The Audit staff routinely conducts an inventory of committee records before it begins the audit fieldwork. The COA records were materially complete and the fieldwork began immediately.

Part II

Overview of Committee

Committee Organization

Important Dates	Committee on Arrangements for the 2004 Republican National Convention
• Date of Registration	January 25, 2002
• Audit Coverage	May 28, 2002 – December 31, 2004
Headquarters	Washington, DC
Bank Information	
• Bank Depositories	One
• Bank Accounts	Two
Treasurers	
• Treasurer When Audit Was Conducted	Michael L. Retzer
• Treasurer During Period Covered by Audit	Robert M. Duncun & Michael L. Retzer
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ May 28, 2002	\$ 0
○ Federal Funds	14,924,000
○ Loans Received	425,000
○ Offsets to Convention Expenditures	40,909
Total Receipts	\$ 15,389,909
○ Convention Expenditures	14,463,319
○ Loan Repayments	425,000
Total Disbursements	\$ 14,888,319
Cash on hand @ December 31, 2004	\$ 501,590

Part III

Summaries

Findings and Recommendations

Finding 1. Net Outstanding Convention Expenses – Surplus

The COA received \$14,924,000 to finance the Republican National Convention. The Statement of Net Outstanding Convention Expenses (NOCE), as calculated by the Audit staff at the time of the Preliminary Audit Report, showed an amount of unspent funds. The Audit staff recommended that the COA provide documentation demonstrating that either no repayment of unspent funds was due, or that a lesser amount was due.

In response, COA demonstrated that small adjustments to the amount of unspent funds were required and stated that the COA is prepared to make a complete repayment of all unspent funds following the approval of the audit report and termination of the committee.

The Audit staff recommends that the Commission make a determination that \$211,198 is repayable to the United States Treasury. (For more detail, see p. 4)

Finding 2. Stale-dated Checks

The Audit staff reviewed COA's bank activity through December 31, 2005 and identified 4 stale-dated checks totaling \$6,667. The Audit staff recommended that COA provide evidence that the checks are not outstanding or make payment to the United States Treasury. On January 25, 2006, COA repaid \$6,667 to the United States Treasury. (For more detail, see p. 6)

Summary of Amounts Owed to the U.S. Treasury

• Finding 1	Net Outstanding Convention Expenses – Surplus	\$ 211,198
• Finding 2	Stale-dated Checks	6,667
	Total Owed	\$ 217,865
	Less Payment Received 7/29/2005	100,000
	Less Payment Received 1/25/2006	6,667
	Net Amount Owed to the United States Treasury	\$ 111,198

Part IV

Findings and Recommendations

Finding 1. Net Outstanding Convention Expenses – Surplus

Summary

The COA received \$14,924,000 to finance the Republican National Convention. The Statement of Net Outstanding Convention Expenses (NOCE), as calculated by the Audit staff at the time of the Preliminary Audit Report, showed an amount of unspent funds. The Audit staff recommended that the COA provide documentation demonstrating that either no repayment of unspent funds was due, or that a lesser amount was due.

In response, COA demonstrated that small adjustments to the amount of unspent funds were required and stated that the COA is prepared to make a complete repayment of all unspent funds following the approval of the audit report and termination of the committee.

The Audit staff recommends that the Commission make a determination that \$211,198 is repayable to the United States Treasury

Legal Standard

Entitlement to Payments From the Fund. The national committee of a major party shall be entitled to payments with respect to any presidential nominating convention, in amounts that, in the aggregate shall not exceed \$4,000,000, as adjusted by the Consumer Price Index. The major party entitlement for the 2004 nominating convention was \$14,924,000. 26 U.S.C. §9008(b)(1) & (5).

Repayments Any portion of the entitlement that remains unspent after all convention expenses have been paid, shall be returned to the Secretary of the Treasury. The national committee or convention committee shall make an interim repayment of unspent funds based on the financial position of the committee as of the end of the ninth month following the last day of the convention, allowing for a reasonable amount as determined by the Commission to be withheld for unanticipated contingencies. The interim repayment shall be made no later than 30 calendar days after the end of the ninth month following the last day of the convention. 11 CFR §9008.12(b)(5).

Repayment Determination Procedures The Commission will follow the same repayment determination procedures, and the committee has the same rights and obligations as are provided for repayment determinations involving publicly funded candidates under 11 CFR 9007.2(c) through (h). 11 CFR §9008.12(c).

Net Outstanding Campaign Expenses (NOCE). A convention committee shall file, no later than sixty days after the last day of the convention, a statement of that committee's "net outstanding convention expenses." This statement must contain, among other things:

- 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 §9008.10(g).

Facts and Analysis

For the 2004 election, each major political party was entitled to receive \$14,924,000 to finance its national Presidential nominating convention. The 2004 Republican National Convention ended on September 2, 2004. The COA filed a Statement of Net Outstanding Convention Expenses as of October 17, 2004. The Audit staff reviewed financial activity through December 31, 2005 and estimated the winding down cost in preparing the figures shown below.

Statement of Net Outstanding Campaign Expenses

As of October 17, 2004

As Prepared Through December 31, 2005

Assets

Cash in Bank	\$ 840,884	[a]	
Accounts Receivable	33,139		
Total Assets			\$ 874,023

Liabilities

Qualified Convention Expenditures	\$355,753	[b]	
Actual Winding Down Expenses	296,405		
Estimated Winding Down Expenses – 1/1/06 to 4/30/06	4,000		
Stale-Dated Checks	6,667		
Total Liabilities			662,825
Net Outstanding Convention Expenses - Surplus			\$ 211,198

Footnotes to NOCE Statement:

- [a] Adjusted for stale-dated checks totaling \$6,667.
- [b] Included is the cost of the Official Report of the Proceedings of the Thirty-Eighth Republican National Convention. The contract for the book was dated February 14, 2005. The last day of the Republican National Convention was September 2, 2004. Therefore, the cost of the book falls within 11 CFR §9008.10(g)(1)(ii).

The NOCE as calculated by the Audit staff shows unspent funds of \$211,198. On July 29, 2005, COA made an interim repayment of \$100,000 to the United States Treasury.

Preliminary Audit Report Recommendation and Committee Response

The Audit staff recommended that COA provide documentation demonstrating that either: (a) no repayment of unspent funds is due, or (b) a lesser amount is due.

In response, COA demonstrated that small adjustments to the amount of unspent funds were required. In follow-up communications with COA representatives, they have agreed with the staff calculation. The adjustments are included in the calculation of the amount of unspent funds in the NOCE Statement presented above. The COA also stated that it is prepared to make a complete repayment of all unspent funds following the approval of the audit report and the termination of the Committee.

Recommendation

The Audit staff recommends that the Commission make a determination that \$211,198 is repayable to the United States Treasury.

Finding 2. Stale-dated Checks

Summary

The Audit staff reviewed COA's bank activity through December 31, 2005 and identified 4 stale-dated checks totaling \$6,667. The Audit staff recommends that COA provide evidence that the checks are not outstanding or make payment to the United States Treasury in the amount of \$6,667.

Legal Standard

Stale-dated Committee Checks. If the committee has checks outstanding that have not been cashed, the committee shall notify the Commission. The committee shall inform the Commission of its efforts to locate the payees and 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. 11 CFR §9008.16

Facts and Analysis

The Audit staff reviewed COA's bank activity through December 31, 2005 and identified 4 stale-dated checks, totaling \$6,667. At the exit conference, COA representatives were presented a list of the stale-dated checks. They agreed to review their records and provide the Audit staff with any additional information discovered.

Preliminary Audit Report Recommendation and Committee Response

The Audit staff recommended that, the COA provide evidence that the checks are not outstanding; that they have been voided and no obligations exists; or make a payment of \$6,667 to the United States Treasury.

In response to the preliminary audit report, COA made a payment of \$6,667 to the United States Treasury.