




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

September 8, 2009

MEMORANDUM

To: Judith Ingram  
Press Officer

From: Joseph F. Stoltz   
Assistant Staff Director  
Audit Division

Subject: Public Issuance of the Audit Report on the Committee on Arrangements for  
the 2008 Republican National Convention

Attached please find a copy of the audit report on the Committee on Arrangements for the 2008 Republican National Convention, which was approved by the Commission on August 27, 2009.

All parties involved have received informational copies of the report and the report may be released to the public on September 8, 2009.

Attachment as stated

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



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

August 31, 2009

Timothy J. Morgan, Treasurer  
Committee on Arrangements for the 2008  
Republican National Convention  
310 First Street, SE  
Washington, DC 20003

Dear Mr. Morgan:

Attached please find the Report of the Audit Division on the Committee on Arrangements for the 2008 Republican National Convention (COA). The Commission approved the report on August 27, 2009. As noted in the report, the Commission may pursue any of the matters discussed in an enforcement action.

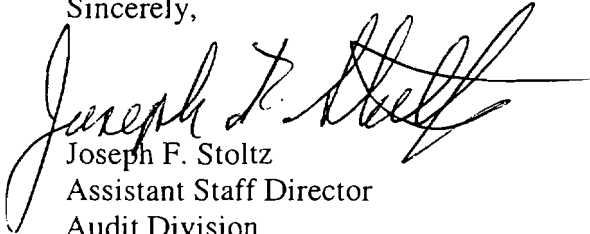
The report reflects COA's interim repayment made on July 27, 2009 in the amount of \$2.7 million. In accordance with 11 CFR §§9007.2(c)(1) and (d)(1), the Commission has made a determination that a repayment to the Secretary of the Treasury in the amount of \$1,081,624 is required within 90 calendar days after the service of this report (November 30, 2009). The amount owed is the remainder of unspent funds from the \$16,820,760 provided to COA to finance the Republican National Convention (see Finding 1).

Should you dispute the Commission's determination that a repayment is required, Commission regulations at 11 CFR §9008.12(c) provide you with an opportunity to submit in writing, within 60 calendar days after service of the Commission's notice (October 30, 2009), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. In addition to the submission of written materials, you may request an opportunity to address the Commission in open session. The request for an oral hearing should identify the repayment matters that will be addressed and your presentation must be 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 you decide to file a response to the repayment determination, please contact Lorenzo Holloway of the Office of General Counsel at (202) 694-1650 or toll free at (800) 424-9530. If you do not dispute this determination within the 60-day period provided, it will be considered final.

The Commission approved report will be placed on the public record on September 8, 2009. 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 Zuzana Pacious or Marty Favin 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



# Report of the Audit Division on the Committee on Arrangements for the 2008 Republican National Convention

April 11, 2006 – December 31, 2008

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## 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.<sup>1</sup> 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 2008 Republican National Convention (COA) was responsible for the day to day arrangements and operations of the Republican Presidential nominating convention. COA is headquartered in Washington, DC. For more information, see chart on the Committee Organization, p. 2.

## Financial Activity (p. 2)

- **Receipts**
  - Federal Funds \$16,820,760
  - Loans Received 450,000
  - Offsets to Convention Expenditures 87,038
  - **Total Receipts** \$17,357,798
  
- **Disbursements**
  - Convention Expenditures \$14,300,088
  - Loan Repayments 450,000
  - **Total Disbursements** \$14,750,088

## Finding and Recommendation (p. 3)

- Net Outstanding Convention Expenses

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<sup>1</sup> 26 U.S.C. §9008(g)

# Table of Contents

	<b>Page</b>
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
Inventory of Committee Records	1
<b>Part II. Overview of Committee</b>	
Committee Organization	2
Overview of Financial Activity	2
<b>Part III. Summary</b>	
Finding and Recommendation	3
Summary of Amount Owed to the U.S. Treasury	3
<b>Part IV. Finding and Recommendation</b>	
Net Outstanding Convention Expenses	4

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the Committee on Arrangements for the 2008 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

<b>Important Dates</b>	<b>Committee on Arrangements for the 2008 Republican National Convention</b>
• Date of Registration	April 3, 2006
• Audit Coverage	April 11, 2006 – December 31, 2008
<b>Headquarters</b>	Washington, DC
<b>Bank Information</b>	
• Bank Depositories	Two
• Bank Accounts	Three Checking Accounts
<b>Treasurers</b>	
• Treasurer When Audit Was Conducted	Timothy J. Morgan
• Treasurer During Period Covered by Audit	Jay C. Banning (4/3/06 – 5/15/07) Timothy J. Morgan (5/16/07 – Present)
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ April 11, 2006</b>	<b>\$ 0</b>
○ Federal Funds	16,820,760
○ Loans Received	450,000
○ Offsets to Convention Expenditures	87,038
<b>Total Receipts</b>	<b>17,357,798</b>
○ Convention Expenditures	14,300,088
○ Loan Repayments	450,000
<b>Total Disbursements</b>	<b>\$ 14,750,088</b>
<b>Cash on hand @ December 31, 2008</b>	<b>\$ 2,607,710</b>

## Part III

### Summaries

#### Finding and Recommendation

##### Net Outstanding Convention Expenses

The COA received \$16,820,760 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 a lesser amount was due. Pursuant to 11 CFR §9008.12(b)(5), COA was required to make an interim repayment by July 30, 2009.

In response, COA demonstrated that adjustments to the actual and estimated winding down costs were required to account for the most recent financial activity. Likewise, a small adjustment to the receivable amount was made to correctly reflect the production advance withheld by the media vendor. On July 27, 2009, COA made an interim repayment of \$2.7 million.

The Audit staff recommends that the Commission make a determination that the remaining portion of unspent funds, \$1,081,624, is repayable to the United States Treasury. (For more detail, see p. 4)

##### Summary of Amounts Owed to the U.S. Treasury

Net Outstanding Convention Expenses – Surplus	\$ 3,781,624
Less: Payment Received 7/27/2009	(2,700,000)
<b>Net Amount Owed to the United States Treasury</b>	<b>\$ 1,081,624</b>



## Part IV

# Finding and Recommendation

### Net Outstanding Convention Expenses

#### Summary

The COA received \$16,820,760 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 a lesser amount was due. Pursuant to 11 CFR §9008.12(b)(5), COA was required to make an interim repayment by July 30, 2009.

In response, COA demonstrated that adjustments to the actual and estimated winding down costs were required to account for the most recent financial activity. Likewise, a small adjustment to the receivable amount was made to correctly reflect the production advance withheld by the media vendor. On July 27, 2009, COA made an interim repayment of \$2.7 million.

The Audit staff recommends that the Commission make a determination that the remaining portion of unspent funds, \$1,081,624, is repayable to the United States Treasury.

#### Legal Standard

**A. 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 2008 nominating convention was \$16,820,760. 26 U.S.C. §9008(b)(1) & (5).

**B. 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).

**C. 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).

**D. 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 2008 election, each major political party was entitled to receive \$16,820,760 to finance its national presidential nominating convention. The 2008 Republican National Convention ended on September 4, 2008. The COA filed a Statement of Net Outstanding Convention Expenses as of October 19, 2008. The Audit staff reviewed financial activity through July 31, 2009, and estimated the winding down cost in preparing the figures shown below.

**Committee on Arrangements for the 2008 Republican National Convention  
Statement of Net Outstanding Convention Expenses  
As of October 19, 2008  
Prepared Through July 31, 2009**

#### **Assets**

Cash in Bank	\$3,726,622	
Accounts Receivable	<u>1,543,971</u>	[a]
<b>Total Assets</b>		<b>\$5,270,593</b>

#### **Liabilities**

Accounts Payable for Qualified Convention Expenses at 10/19/08	\$1,066,221	
Winding Down Costs:		
Actual (10/20/08 – 7/31/09)	\$367,498	
Estimated (8/1/09 - 1/31/10)	<u>55,250</u>	<u>422,748</u>
<b>Total Liabilities</b>		<b><u>\$1,488,969</u></b>
<b>Net Outstanding Convention Expenses (Surplus) as of October 19, 2008</b>		<b>\$3,781,624</b>

#### **Footnotes to NOCE Statement:**

- [a] As of October 19, 2008, this figure included a credit balance of \$241,350 held by the media vendor for future bills. A portion of this advance, \$191,350, was refunded to COA in June 2009. The vendor plans to refund the remaining balance of \$50,000 by September 1, 2009. The documents provided by the media vendor suggest that no additional bills had to be paid.

The NOCE as calculated by the Audit staff shows a surplus, or an amount of unspent funds, of \$3,781,624.

### **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. Pursuant to 11 CFR §9008.12(b)(5), COA was required to make an interim repayment by July 30, 2009.

In response, COA demonstrated that adjustments to the actual and estimated winding down costs were required to account for the most recent financial activity. Likewise, a small adjustment to the accounts receivable amount was made to correctly reflect the production advance withheld by the media vendor.<sup>2</sup> On July 27, 2009, COA made an interim repayment of \$2.7 million.

In follow-up communications, COA representatives were in agreement with the revised figures presented by the Audit staff. The adjustments are included in the calculation of the amount of unspent funds in the NOCE Statement presented above. COA also stated that prior to termination it is prepared to make a repayment of the remaining unspent funds minus the necessary expenses to wind down the committee. In the meantime, COA will continue to provide the Commission with monthly updates on its financial position.

### **Recommendation**

The Audit staff recommends that the Commission make a determination that the remaining portion of unspent funds, \$1,081,624, is repayable to the United States Treasury.

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<sup>2</sup> Based on the most recent cost report provided by the media vendor, the actual production advance withheld was \$241,350 instead of the previously reported \$238,790.