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FEDERAL ELECTION COMMISSION
WASHINGTON D C 20463

July 24, 1989

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA Pkg For RJC - 7/24/89
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE REPORT OF THE AUDIT DIVISION ON ALBERT GORE, JR. FOR PRESIDENT COMMITTEE, INC.

Attached please find a copy of the final Report of the Audit Division on Albert Gore, Jr. for President Committee, Inc., which was approved by the Commission on July 13, 1989. The attached report reflects the revisions made by the Commission on that date.

Also attached is a photocopy of the receipt and the repayment checks delivered to Treasury.

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

Attachments as stated

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

GOE/071989

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 20, 1989

Jacqueline B. Shrago, Treasurer
Albert Gore, Jr. for President
Committee, Inc.
530 Church Street
Suite 300
Nashville, TN 37219

Dear Ms. Shrago:

Attached please find the Final Audit Report on Albert Gore, Jr. for President Committee, Inc. The Commission approved the report on July 13, 1989.

In accordance with 11 C.F.R. §§ 9038.2(c)(1) and (d)(1), the Commission has made an initial determination that the Candidate is to repay to the Secretary of the Treasury $4,327.41. The report notes that the repayment has been made. However, should the Candidate now elect to dispute the Commission's determination that the repayment is required, Commission regulations at 11 C.F.R. § 9038.2(c)(2) provide the Candidate with an opportunity to submit in writing, within 30 calendar days after service of the Commission's notice, legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. The Commission will consider any written legal and factual materials submitted by the Candidate within this 30 day period in making a final repayment determination. Such materials may be submitted by counsel if the Candidate so elects. If the candidate does not dispute this initial determination by August 22, 1989, it will be considered final. Should the Committee wish to file a response to the initial repayment determination contained in the Report of the Audit Division please contact Kim Bright-Coleman in the Office of General Counsel at (202) 376-5690, or toll free at (800) 424-9530.

The Commission-approved copy of the Final Audit Report will be placed on the public record within approximately 24 hours. Should you have any questions regarding the public release of this report, please contact Mr. Fred S. Eiland of the Commission's Press Office at (202) 376-3155 or toll free at (800) 424-9530.

8907016467.2

Any questions you may have related to matters covered during the audit or in the report should be directed to Eleanor Richards of the Audit Division at (202) 376-5320 or toll free at (800) 424-9530.

Sincerely,

Robert J. Costa
Assistant Staff Director
Audit Division

cc: Donald J. Simon

GOE/062689

FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

REPORT OF THE AUDIT DIVISION ON ALBERT GORE, JR. FOR PRESIDENT COMMITTEE, INC.

I. Background

A. Overview

This report is based on an audit of Albert Gore, Jr. for President Committee, Inc. ("the Committee") to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act") and the Presidential Primary Matching Payment Account Act. The audit was conducted pursuant to 26 U.S.C. § 9038(a) which 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."

In addition, 26 U.S.C. § 9039(b) and 11 C.F.R. § 9038.1(a)(2) state, in relevant part, that the Commission may conduct other examinations and audits from time to time as it deems necessary.

The Committee registered with the Federal Election Commission on April 27, 1987. The Committee maintains its headquarters in Washington, D.C.

The audit covered the period from the Committee's inception, April 27, 1987 through May 31, 1988. During this period, the Committee reported an opening cash balance of $-0-, total receipts of $12,839,866.50, total disbursements of $12,743,918.56, and a closing cash balance of $95,947.94. In addition, certain financial activity was reviewed through September 8, 1988 for purposes of determining the Committee's remaining matching fund entitlement based on its net outstanding campaign obligations. Under 11 C.F.R. § 9038.1(e)(4), additional audit work may be conducted and addenda to this report issued as necessary.

This report is based upon documents and workpapers which support each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The Treasurers of the Committee during the period covered by the audit were: Johnny Hayes from April 27, 1987 to July 12, 1987; Todd Campbell from July 13, 1987 to February 24, 1988; and Jacqueline Shrago from February 25, 1988 to the present.

C. Scope

The audit included such tests as verification of total reported receipts, disbursements and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; review of contribution and expenditure limitations; and such other audit procedures as deemed necessary under the circumstances.

II. Findings and Recommendations Related to Title 2 of the United States Code

A. Disclosure of Receipts

Section 434(b)(3)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the identification of each person who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of $200 within the calendar year, together with the date and amount of any such contribution.

Section 104.8(d)(3) of Title 11 of the Code of Federal Regulations states, in part, that if an itemized contribution is reattributed by the contributor(s) in accordance with 11 C.F.R. § 110.1(k), the treasurer shall report the reattribution in a memo entry on Schedule A of the report covering the reporting period in which the reattributuion is received.

A review of contributions received from individuals revealed a material number of disclosure errors involving contributions which were split between spouses. The Audit staff's analysis indicated that the errors occurred as a result of the system methodology utilized by the Committee.

The Committee initially recorded the contribution attributing the full amount to the individual whose signature appeared on the check. A letter was then sent to that individual requesting the additional documentation necessary to reattribute a portion of the contribution to the individual's spouse. When the additional documentation was received by the Committee, a portion (usually 50%) of the contribution was reattributed. The Committee then recorded the spouse's portion using the same receipt date as recorded for the initial contribution.

Since the Committee's system utilized the recorded date of receipt as an indicator to select those contributions to be reported in a given period, any contributions having a date of receipt falling in a prior reporting period (due to the use of the receipt date of the initial contribution) would not be selected for itemization in the current period. For example, a contribution of $1,000 received by the Committee on February 1 would appear on the monthly report covering February 1 through February 29. However; if documentation was received in March and $500 of the February 1 contribution was reattributed, the Committee's database would be adjusted and then contain two $500 contributions dated February 1. Due to the use of the original contribution date, the reattribution made in March (but dated February 1) would not be selected for inclusion in the report covering the period March 1 through March 31 or any subsequent period.

The Audit staff identified 2,426 split contributions. A review of these contributions indicated that between 17% and 25% of the aforementioned contributions were not itemized correctly.

At the exit conference held on September 9, 1988, a Committee spokesperson stated that it is the Committee's intent to amend its reports to disclose the contribution information to support contributions which were reattributed, after the reporting period in which the original contribution was disclosed. The Audit staff provided the Treasurer with information to aid in the identification of those transactions requiring amending action.

In response to the Interim Audit Report, the Committee filed amendments materially correcting the discrepancies noted above.

Recommendation #1

The Audit staff recommends no further action in this matter.

B. Transfer of Excess Campaign Funds

Section 441a(a)(5)(c) of Title 2 of the United States Code states that nothing in this section shall limit the transfer of funds between the principal campaign committee of a candidate seeking nomination or election to a Federal office and the principal campaign committee of that candidate for nomination or election to another Federal office if such transfer is not made when the candidate is actively seeking nomination or election to both such offices; the limitations contained in this Act on contributions by persons are not exceeded by such transfer; and the candidate has not elected to receive any funds under Chapter 96 of Title 26 of the United States Code.

Sections 110.3(a)(2)(v)(A), (B) and (C) of Title 11 of the Code of Federal Regulations state, in part, that this part shall not limit transfers between the principal campaign committees of a candidate seeking nomination or election to more than one Federal office, as long as the transfer is made when the candidate is not actively seeking nomination or election to more than one office; the limitations on contributions by persons are not exceeded by the transfer; and the candidate has not received funds under 26 U.S.C. § 9037. For purposes of this paragraph, "not actively seeking" means a principal campaign committee has filed a termination report with the Commission, or has notified the Commission that the candidate and his authorized committees will make no further expenditure, except in connection with the retirement of debts outstanding at the time of the notification.

The Audit staff noted that on December 30, 1987, the Committee received $24,000 from Friends of Albert Gore, Jr. This amount is a transfer of excess campaign funds from Albert Gore's Senate committee to his presidential committee.

On September 30, 1985, Senator Gore filed a Statement of Candidacy with the Commission for the 1990 Senate campaign in Tennessee. Senator Gore designated the Friends of Albert Gore, Jr. as his principal campaign committee for the 1990 election. Friends of Albert Gore, Jr. was originally Senator Gore's principal campaign committee for the 1984 election, and filed its Statement of Organization with the Commission on February 17, 1983. According to reports filed by Friends of Albert Gore, Jr., the contributions that were transferred were designated for the 1990 election. It appears that the $24,000 transfer was not in accordance with 2 U.S.C. § 441a(a)(5)(C) and 11 C.F.R. § 110.3(a)(2)(v), since Senator Gore was actively seeking election or nomination to two Federal offices. Friends of Albert Gore, Jr. has not filed a termination report and it has continued to make expenditures that are not related to the retirement of any outstanding debts.1/

The $24,000 transfer from Friends of Albert Gore, Jr. represented $5,855 of contributions from 38 individuals and $18,145 of contributions from 15 political action committees. At the time of the transfer the limitations on contributions were not exceeded. A review of the procedures followed by the Senate committee confirmed that the process detailed in 11 C.F.R. § 110.3(a)(2)(v)(B) was followed.

1/ Friends of Albert Gore, Jr. reported total receipts of $215,529.05 and total disbursements of $155,767.76 for the period January 1, 1985 through December 31, 1987. For the period January 1, 1988 through June 30, 1988, this committee reported total receipts of $-0- and total disbursements of $6,786.24.

On June 29, 1987, Albert Gore Jr./Albert Gore Jr., for President Committee, Inc. submitted a Letter of Candidate Agreements and Certifications seeking to become eligible to receive matching funds. On December 30, 1987, the date of the transfer, Albert Gore, Jr. had not yet received presidential primary matching funds pursuant to 26 U.S.C. § 9037. Albert Gore, Jr. was, however; certified eligible to receive $1,313,836.96 of matching funds on December 16, 1987. An additional $242,564.26 of matching funds was certified on December 30, 1987. Both amounts were payable after January 1, 1988 and were paid on January 4, 1988.

In the Interim Audit Report, the Audit staff recommended that the Committee either demonstrate that the transfer of excess campaign funds from the Friends of Albert Gore, Jr. was in accordance with 11 C.F.R. §110.3(a)(2)(v) or refund $24,000 to Friends of Albert Gore, Jr. and provide a photocopy of the negotiated refund check (front and back) to the Audit staff.

In response to the Interim Audit Report, the Committee states its belief that the Audit staff's reliance on 11 C.F.R. §110.3(a)(2)(v) is incorrect. The response goes on to state that the regulation, based on Commission action in Advisory Opinion 1987-4, applies only where the candidate is seeking two offices within the same Federal election cycle. In this case, Senator Gore's 1990 candidacy for Senate and 1988 candidacy for President were not "within the same Federal election cycle."

The Committee further states as precedent the Commission's decision in Advisory Opinion 1982-39, wherein Senator Cranston's 1986 Senate campaign committee was allowed to transfer its funds to his 1984 Presidential committee without limitation. The Committee states that, particularly where there is no issue of individual aggregation for purposes of contribution limits, the transfer of funds from the 1990 Senate campaign to the 1988 Presidential campaign -- elections in different cycles -- was clearly permissible.

Notwithstanding the Committee's willingness to transfer back the money, the Committee strongly stated that it disagrees with the Audit staff's allegation that the transfer was improper and that its decision to follow the recommendation can not in any way be construed as an admission that the initial transfer was improper. The Committee returned the funds to the Friends of Al Gore, Jr. on February 28, 1989.

The Audit Division maintains its opinion that the above transfer was impermissible under 2 U.S.C. §441a(a)(5)(C) and 11 C.F.R. §110.3(a)(2)(v). The two advisory opinions relied on by the Committee are not applicable to the Committee's situation. Both of the advisory opinions involved funds that had been raised for previous elections, while in the instant case the funds were raised for the 1990 Senatorial election. Senator Gore was a

candidate for the Democratic nomination and the 1990 Senate race at the time of the transfer. He had two authorized committees for these offices registered with the Commission at the same time. Since Senator Gore was actively seeking election or nomination to two Federal offices, as defined in the Commission's regulations, the transfer was impermissible. The funds at issue here have been returned and at the time of the transfer the limitations on contributions were not exceeded.

Recommendation #2

The Audit staff recommends no further action on this matter.

C. Bank Loans

Section 431(8)(B)(vii) of Title 2 of the United States Code states that the term "contribution" does not include any loan of money by a State bank, a federally chartered depository institution, or a depository institution the deposits or accounts of which are insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration, other than any overdraft made with respect to a checking or savings account, made in accordance with applicable law and in the ordinary course of business, but such loan shall be considered a loan by each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors; shall be made on a basis which assures repayment, evidenced by a written instrument, and subject to a due date or amortization schedule; and shall bear the usual and customary interest rate of the lending institution.

Section 100.7(b)(11) of Title 11 of the Code of Federal Regulations states in part that a loan is not a contribution by the lending institution if such loan is made in accordance with applicable banking laws and regulations and is made in the ordinary course of business. A loan will be deemed to be made in the ordinary course of business if it: bears the usual and customary interest rate of the lending institution for the category of loans involved; is made on a basis which assures repayment; is evidenced by a written instrument; and is subject to a due date or amortization schedule.

The Committee received loans totalling $1,600,000 from five institutions: Sovran Bank/DC National; the Bank of Huntingdon; the Union Planters National Bank; the Bank of Putnam County; and the Volunteer State Bank (the last four banks are in Tennessee). On March 1, 1988, the Committee received a loan of $750,000 from Sovran Bank/DC National and three loans of $100,000 each from the Bank of Huntingdon; the Bank of Putnam County; and the Volunteer State Bank. Each of the $100,000 loans was secured by a $10,000 personal guarantee from Albert Gore, Jr. and a $90,000 secondary lien on future Federal matching funds. On March 11, 1988, the Committee received a loan in the amount of

$400,000 from the Union Planters National Bank. This loan was secured by a $10,000 personal guarantee from Albert Gore, Jr. and a $400,000 lien on future Federal matching funds. The date for the payment of the balance of principal and interest for this loan was extended 90 days without additional consideration given by the Committee.

On April 5, 11 and 12, 1988 the Committee received three additional loans of $50,000 each from the Union Planters National Bank; the Bank of Putnam County and the Volunteer State Bank. The loans all bore the same interest rates and due dates as the previous loans from the same institutions. Each of these loans was secured by the same $10,000 guarantee from Albert Gore, Jr. and additional $50,000 liens against future Federal matching funds which were inferior to the other liens.

It appears that the loan from Sovran Bank was made in the ordinary course of business; however, there are several questions regarding whether the loans made by the four Tennessee banks were made on a basis which assured repayment. First, it is unclear what these four banks knew about the financial situation of the Committee. The Committee did not have bank accounts with any of these banks and a fundraising plan apparently considered by the Volunteer State Bank was not supplied to the Commission. Moreover, the security used for the loans may be of questionable worth. Specifically, the "comfort letters", secondary liens and inferior liens may be of doubtful value. Also, it appears that three of the banks gave the Committee additional loans of $50,000 each partially based on a $10,000 personal guarantee from Senator Gore that was already pledged as security for larger loans. As a result, more information is needed about the loans from the four Tennessee banks in order to determine whether they were made on a basis which assured repayment.

In response to the Interim Audit Report, the Committee forwarded photocopies of documents it provided to the four Tennessee banks mentioned above at the time loan applications were made, or extensions to existing loans granted. A brief description of the documentation provided appears in the Committee's response.

In its response, the Committee states that the best evidence that loans were made on a basis which, "assures repayment" is that the loans were timely and fully repaid, a fact conspicuously not acknowledged by the Audit staff. The Committee further states that it is hard for the Commission to quarrel with the adequacy of collateral of a bank loan when that loan is repaid in full on a timely basis. Further, it would be strange indeed for the Commission to second guess a bank's commercial judgement where that judgement proved correct.

In response to the question of the adequacy of matching funds liens, the Committee provided the following in a footnote to its response:

"The Audit staff raised an issue about the value of the matching funds liens given to the four Tennessee banks in question, and whether the value of those second liens adequately collateralized the loans. In fact, the actual value of the matching funds liens held by the Tennessee banks was almost twice -- (1.879) -- the amount of the loans from the banks to the Committee.

The Committee borrowed $850,000.00 from the four Tennessee banks with security in the amount of $820,000.00 in matching funds liens and $40,000.00 in personal guaranties from Senator Gore. (See loan security agreements produced herewith.) From March 1, 1988, when the Tennessee bank loans commenced, through September 8, 1988, the Committee received $1,597,196.98 in matching funds, almost twice the size of the aggregate Tennessee loans. (See Interim Audit Report at 8 and 12 showing matching funds of $2,928,089.17 through April 21, 1988, and $873,337.51 from April 22, 1988, through September 8, for a total of $3,801,426.68; and FEC press release dated February 24, 1988, produced herewith showing matching funds of $2,204,229.70 through the date thereof.)

It is true that Sovran Bank for a time held a matching funds lien in the maximum amount of $373,000.00 which was superior to the Tennessee bank liens. (See Sovran Bank loan documents previously produced.) Even deducting the value of the Sovran Bank lien, the Committee still received a flow of matching funds totaling $1,224,197.00 while the Tennessee loans were outstanding. Thus, the Tennessee bank liens still had actual value of 1.305 times the amount of the loans secured even when the maximum Sovran Bank lien is taken into consideration. The matching funds liens given to the Tennessee banks, therefore, at all times had actual value far in excess of what was required to secure the loans."

The Audit staff has reviewed the Committee's response and loan documentation provided and is of the opinion that the bank loans in question at the time of application or extension were made on a basis which assured repayment, in the ordinary course of business as defined in 2 U.S.C. §431(8)(B)(vii) and 11 C.F.R. §100.7(b)(11).

Recommendation #3

The Audit staff recommends no further action in this matter.

III. Findings and Recommendations Related to Title 26 of the United States Code

A. Stale-dated Committee 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.

During a review of the Committee's expenditures, the Audit staff identified 21 checks totalling $2,490.05 which were written by the Committee prior to March 1, 1988 which remain outstanding.

At the exit conference a Committee spokesperson stated that the Committee would try to locate the payees of these outstanding checks and, if needed, issue a new check.

In response to the Interim Audit Report, the Committee provided a schedule detailing the results of its efforts to resolve the $2,490.05 in stale-dated checks. In addition, the Committee presented the Commission with a check for $292.00, dated March 3, 1989, payable to the United States Treasury, representing the value of stale-dated checks which could not otherwise be resolved.

Conclusion #4

On July 13, 1989, the Commission made an initial determination that $292.00 in stale-dated checks is repayable and has been repaid to the United States Treasury pursuant to Section 9038.6 of Title 11 of the Code of Federal Regulations.

B. Calculation of Repayment Ratio

Section 9038(b)(2)(A) of Title 26 of the United States Code states, in part, that if the Commission determines that any amount of any payment made to a candidate from the matching fund account was used for purposes other than to defray qualified campaign expenses, it shall notify such candidate of the amount so used, and the candidate shall pay to the United States Treasury an amount equal to such an amount.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states that the amount of any repayment sought under this section shall bear the same ratio to the total amount determined to have been used for non-qualified campaign expenses as the amount of matching funds certified to the candidate bears to the total amount of deposits of contributions and matching funds as of the candidate's date of ineligibility.

The formula and its application with respect to the Committee's receipt activity is as follows:

$$\frac{\text{Total Matching Funds Certified Through Date of Ineligibility 4/21/88}}{\text{Numerator + Private Contributions Received through 4/21/88}} =$$

$$\frac{\$2,928,089.17}{\$9,672,489.38} = .302723$$

Thus, the repayment ratio for non-qualified campaign expenses is 30.2723%.

C. Use of Funds for Non-Qualified Campaign Expenses

Section 9032(9)(A) of Title 26 of the United States Code states that the term "qualified campaign expense" means a purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value incurred by a candidate in connection with his campaign for nomination for election.

Section 9032.9(a)(1) of Title 11 of the Code of Federal Regulations further defines a "qualified campaign expense" as one incurred by or on behalf of a candidate or his authorized committees from the date the individual becomes a candidate through the last day of the candidate's eligibility as determined under 11 C.F.R. § 9033.5.

Sections 9034.4(a)(3) and (b)(3) of Title 11 of the Code of Federal Regulations provide that any expenses incurred after a candidate's date of ineligibility are not qualified campaign expenses except for winding down costs associated with the termination of political activity or costs incurred before the candidate's date of ineligibility for which written arrangement or commitment was made on or before the candidate's date of ineligibility.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that to determine at what point committee accounts no longer contain matching funds for the purpose of seeking repayment for non-qualified campaign expenses, the Commission will review committee expenditures from the date of the last matching fund payment to the candidate, using the assumption that the last payment has been expended on a last-in, first-out basis [emphasis added].

The Regulations consider all committee accounts as if they are one account and make no provision for the segregation of matching funds. Only after the point in time when all matching funds have been expended may disbursements for non-qualified campaign expenses be made without incurring a repayment obligation.

The Audit staff determined that the Committee had incurred $13,330.38 in apparent convention related expenses. These expenses were incurred and paid after the candidate's date of ineligibility2/ and prior to the liquidation of the final matching fund payment. The amount subject to repayment is calculated below:

Convention Related Expenses	$13,330.38
Repayment Ratio	.302723
Repayment Amount	$ 4,035.41

At the exit conference a Committee spokesperson stated that the Committee is aware that the convention expenses are non-qualified campaign expenses, however; the Committee maintains a separate bank account for the deposit of matching funds. The disbursements made for expenses incurred for the convention were made from a bank account which does not contain matching funds.

The Audit staff reviewed Committee bank transactions which revealed a transfer of funds from a bank account which contains matching funds to the account from which disbursements were made to pay non-qualified campaign expenses. Thus, it appears that this account did contain matching funds. It should be noted that even if the Committee's contention was correct, the Commission's regulations would require a repayment due to the operation of 11 C.F.R. § 9038.2(b)(2)(iii).

In response to the Interim Audit Report, the Committee states that it maintained separate accounts and that on a last in, first out basis, as of April 29, 1988, no matching funds were contained in the account from which convention expenses were paid and, therefore, no repayment is required. However, the Committee states that a repayment is being made in the amount of $4,035.41 "pursuant to the recommendation made by the Audit staff in order to amicably and expeditiously resolve this matter." "The Committee also denies that its decision to follow the recommendation of the Audit staff in any way be construed as an admission that the scheduled expenditures were improper." The Committee presented the Commission with a check for $4,035.41, dated March 3, 1989, payable to the United States Treasury, representing a pro-rata repayment of non-qualified campaign expenses.

2/ April 21, 1988 is the date determined by the Commission to be the Candidate's date of ineligibility for purposes of incurring qualified campaign expenses.

As previously stated, the Regulations consider all Committee accounts as if they are one account and make no provision for the segregation/elimination of matching funds from a given account, when at the same time matching funds are on deposit in other Committee accounts.

Conclusion #5

On July 13, 1989, the Commission made an initial determination that $13,330.38 in Convention related expenses incurred and paid after the Candidate's date of ineligibility and prior to liquidation of the final matching fund payment are non-qualified campaign expenses and that the Committee make a pro rata repayment of $4,035.41. The repayment has been received by the U.S. Treasury.

Repayment Recap

Stale-dated Committee Checks Finding III.A.	$ 292.00
Use of Funds for Non-Qualified Campaign Expenses	4,035.41
Total Repayment	$4,327.41

D. Statement of Net Outstanding Campaign Obligations

Section 9034.5(a) of Title 11 of the Code of Federal Regulations requires that the candidate submit a Statement of Net Outstanding Campaign Obligations ("NOCO Statement") which contains, among other items, the total of all outstanding obligations for qualified campaign expenses as of the candidate's date of ineligibility and an estimate of necessary winding down costs within 15 days of the candidate's date of ineligibility.

On April 21, 1988, Albert Gore, Jr. announced that he had withdrawn from the race for the Democratic nomination for President of the United States. Pursuant to 11 C.F.R. § 9033.5(a), that is the date Senator Gore's candidacy terminated for the purpose of incurring qualified campaign expenses.

The Committee submitted their original NOCO Statement on May 5, 1988 and has continued to submit revised NOCO Statements with each matching fund submission.

The Audit staff reviewed the NOCO Statement dated May 5, 1988 for financial activity through September 8, 1988. This review included verification of cash, accounts receivable, capital assets, other assets, accounts payable for qualified campaign expenses, and actual and estimated winding down costs.

Presented below is the Audit staff's analysis of the Committee's NOCO Statement as of April 21, 1988.

Audit Analysis of Committee's NOCO Statement as of April 21, 1988 as determined on March 31, 1989

Assets

Cash (in bank)	$ 277,766.49	
Accounts Receivable	122,278.44	
Refundable Deposits	6,600.00	
Capital Assets	6,300.00	
Other Assets	-0-	
Total Assets		$ 412,944.93

Obligations

Accounts Payable	$ 982,348.34	
	24,000.00 a/	
Estimated Income Taxes Payable	16,353.12	
Bank Loans Outstanding	1,600,000.00	
Bank Loan Interest Payable	4,261.60	
Winddown Costs Actual (4/22-3/31/89)	555,575.75	
Less: Apparent Non-Qualified Campaign Expenses included above	(13,330.38) b/	
Total Liabilities		$3,169,208.43
Net Outstanding Campaign Obligations (Deficit) as of 4/21/88		$(2,756,263.50) c/

a/ This amount represents the transfer of excess campaign funds from Friends of Albert Gore, Jr. to the Committee which was refunded on February 28, 1989. See Finding II.B.

b/ Under 11 C.F.R. § 9034.4(b)(3), any expenses incurred after a candidate's date of ineligibility, as determined under 11 C.F.R. § 9033.5 are not qualified campaign expenses except to the extent permitted under 11 C.F.R. § 9034.4(a)(3).

c/ The Audit staff used audited financial activity through September 8, 1988 as well as reported activity through March 31, 1989 in determining this amount.

Shown below is an adjustment for private contributions, interest and matching funds received during the period April 22, 1988 through March 31, 1989.

NOCO Deficit at 4/21/88	$(2,756,263.50)
Interest Received	12,463.21
Matching Funds	925,308.39
Private Contributions	1,779,887.50
Remaining Entitlement as of March 31, 1989	$ (38,604.40)

Received from the Federal Election Commission, two checks, #30585 - $292.00 and #30586 - $4,035.41, drawn on the account of Albert Gore for President at Sovran Bank. These checks represent repayments made pursuant to 11 C.F.R. §9038.6 and 26 U.S.C. §9038(b)(2), respectively, and are to be deposited in the matching payment account in accordance with 26 U.S.C. §9038(d).

Gladys Washington
for the U.S. Treasury
March 7, 1989

Dennis Harris
for the Federal Election Commission
March 7, 1989

8907016498

ALBERT GORE FOR PRESIDENT
906 PENNSYLVANIA AVE., S.E.
WASHINGTON, D.C. 20003

30586

Mar 3 1989 16-120/540 01

PAY TO THE ORDER OF U. S. Treasury $ 4,035.41

Four thousand thirty five and 41/100---------- DOLLARS

SOVRAN BANK DC NATIONAL — MAIN OFFICE 1801 K STREET NW WASHINGTON, D.C. 20006

FOR

Jacqueline B Skaggs

⑈030586⑈ ⑆054001204⑆ 716479 3⑈

ALBERT GORE FOR PRESIDENT
906 PENNSYLVANIA AVE., S.E.
WASHINGTON, D.C. 20003

30585

Mar 3 1989 16-120/540 01

PAY TO THE ORDER OF U. S. Treasury $ 292.00

Two hundred ninety-two and 00/100---------- DOLLARS

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