



FEDERAL ELECTION COMMISSION
WASHINGTON DC 20463

Report of the Audit Division
on the
Arrangements Committee of the
Republican National Committee for the
1988 Republican National Convention

I. Background

A. Overview

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This report is based on an audit of the Arrangements Committee of the Republican National Committee for the 1988 Republican National Convention ("the Committee"), to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 9008(g) of Title 26 of the United States Code which directs the Commission to conduct an examination and audit of payments made for Presidential nominating conventions no later than December 31 of the calendar year in which the convention was held.

The Committee registered with the Federal Election Commission on April 3, 1986. The Committee maintains its headquarters in Washington, D.C. The audit covered the period from April 3, 1986 through September 30, 1988. During this period, the Committee reported a beginning cash balance of \$-0-, total receipts of \$9,711,658.00, total disbursements of \$8,929,170.36, and an ending cash balance of \$782,487.64. In addition, certain financial activity has been reviewed through March 31, 1989.

The audit report is based on 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 this report and were available to the Commissioners and appropriate staff for review.

B. Key Personnel

The Treasurers of the Committee during the period covered by the audit were: William J. McManus from April 3, 1986 through March 5, 1987; and Frank DiMondi from March 6, 1987 to the present.

C. Scope

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

II. Findings Related to Title 26 of the United States Code

A. Convention-Related Expenses

Section 9008.6(a)(4) of Title 11 of the Code of Federal Regulations states that convention expenses include all expenses incurred by or on behalf of a political party national committee or convention committee with respect to and for the purpose of conducting a presidential nominating convention or convention-related activities.

Section 9008.6(a)(4)(iv) of Title 11 of the Code of Federal Regulations further states that convention expenses include expenses of national committee employees, volunteers or other similar personnel if those expenses were incurred in the performance of services for the convention in addition to the services normally rendered to the national committee by such personnel.

After the close of the audit fieldwork, during a discussion of the cost of printing and publishing the convention proceedings, Counsel to the Republican National Committee (RNC) noted that the Committee had presented him with a group of expenses, including the cost of the proceedings, seeking an opinion as to whether they were convention expenses or could be considered national committee expenses.

In the Interim Audit Report the Committee was requested to submit a listing of any expenses which had initially been considered convention expenses and were later considered national committee expenses. Documentation to support each expense was to be submitted with the list.

In response to the Interim Audit Report, the Committee forwarded copies of five checks and the corresponding invoices for expenditures made by the RNC which had initially been considered convention expenses. The documentation provided by the Committee includes: a check payable to Randall P.K. Davis, a check payable to Myers, Matteo, Rabil et al, a check payable to the New Orleans Hilton Towers, a check payable to Travel Inc., and a check payable to the Westin Canal Place and the respective supporting invoices.

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The check issued to Myers, Matteo, Rabil et al is supported by an invoice which states "RE: Convention '88." A spokesperson for the Committee explained that this firm was consultant to then RNC Chairman Frank Fahrenkopf and therefore the consulting fees for the period October 1 through 31, 1988 are expenses of the RNC. It should also be noted that this firm was employed by the Committee as consultants.

The check issued to the New Orleans Hilton Towers is supported by invoices for accommodations during the period August 11 through 20, 1988.

The rooms at the New Orleans Hilton Towers were, for the most part, in the names of David Norcross, and David Norcross and Laurie Michel. A spokesperson for the Committee stated that David Norcross' firm (Myers, Matteo, Rabil, Norcross and Landgraf) was consultant to then RNC Chairman Frank Fahrenkopf and thus David Norcross' travel costs were expenses of the RNC. It should be noted that during this period, David Norcross received travel reimbursements and per diem from the Committee. In addition, Myers, Matteo, Rabil et al received consulting fees and expense reimbursements from the Committee through September 8, 1988.

The invoice from Travel Inc. referred to invoices previously issued, which were dated July 22 through August 9. A spokesperson for the Committee stated that the individuals whose travel was covered by these invoices were employed by the RNC and therefore their travel costs are expenses of the RNC.

A portion of the invoices from the Westin Canal Place cover three apparent convention-related activities. An invoice for hotel rooms and a room under the name "White House Adminstr" was referred from the White House and was paid on a percentage basis which was intended to reflect the "political costs." Several invoices cover the costs of a reception held on August 15, 1988 hosted by "Mr. & Mrs. Reagan." Also included in these invoices are invoices for accommodations for Reagan family and friends for the period August 14 through 16, 1988.

A Committee spokesperson explained that these expenses were incurred by individuals who were employees or guests of the RNC and thus these costs are expenses of the RNC and not expenses of the Committee.

The Audit staff concludes that four invoices totaling \$29,769.91 are convention-related expenses and thus expenses of the Committee. This amount has been added to Total Convention Related Expenditures as Adjusted in the Analysis of Expenditures Subject to the Spending Limitation.

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Recommendation #1

The Audit staff recommends that the Commission determine that, in the absence of the submission of documentation demonstrating that four invoices totaling \$29,769.91 are not expenses related to a nominating convention or convention-related activities, these expenses are convention expenses and therefore subject to the spending limitation at 11 C.F.R. §9008.3(a). (See Finding II.C. Repayment of Excessive Expenditures).

B. Rebates

Section 9008.6(a)(4) of Title 11 of the Code of Federal Regulations states that convention expenses include all expenses incurred by or on behalf of a political party national committee or convention committee with respect to and for the purpose of conducting a presidential nominating convention or convention-related activities.

In its 1989 April 10 Quarterly Report and its response to the Interim Audit Report the Committee disclosed rebates which included \$13,982.93 from four republican political organizations; the RNC, Republicans Abroad, National Republican Legislators Assoc., and the National Federation of Republican Women. These amounts were not previously shown as Committee receivables.

The Audit staff reviewed the documentation to support each of these rebates. Each check was supported by a memo dated March 1, 1989 from Josephine L. Good, Consultant, Sub Committee on Badges and Tickets, Committee on Arrangements. Each of the memos detailed the costs of convention badges for the members of the respective organizations. The checks of these organizations bore the address: 310 First Street, SE, Washington, DC, 20003, and all of the checks were deposited by the Committee on March 23, 1989. A spokesperson for the Committee stated that he assumed that there was a verbal agreement regarding the badges made prior to the convention and that the current action is the collection of outstanding reimbursements. He further elaborated that the badges ordered for the members of these organizations were different from those of other convention attendants and that these individuals were not guests of the convention but rather attended the convention because of their affiliation with these republican organizations.

The Audit staff concludes that the cost of the convention badges are convention-related expenses and thus expenses of the Committee. Therefore, the amount of these reimbursements (\$13,982.93) has not been offset against Total Convention Related Expenditures as Adjusted in the Analysis of Expenditures Subject to the Spending Limitation.

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Recommendation #2

The Audit staff recommends that:

A. The Commission determine that, in the absence of the submission of documentation demonstrating that \$13,982.93 in reimbursements for badges for persons associated with these organizations does not constitute the reimbursement of convention expenses, these reimbursements are not offsets to convention expenses. (See Finding II.C. Repayment of Excessive Expenditures).

B. The Committee, within 30 calendar days of service of this report, refund to the RNC, Republicans Abroad, National Republican Legislators Assoc., and the National Federation of Republican Women the rebates totaling \$13,982.93.

C. The Committee provide the Audit staff with copies, front and back, of the negotiated refund checks.

C. Repayment of Excessive Expenditures

Section 9008(d)(1) of Title 26 of the United States Code states, in relevant part, that the national committee of a major party may not make expenditures with respect to a presidential nominating convention which, in the aggregate, exceed the amount of payments to which such committee is entitled. Section 9008(h) of Title 26 of the United States Code states, in part, that the Commission shall have the same authority to require repayments from the national committee of a major party as it has with respect to repayments from any eligible candidate under section 9007(b).

Section 9008.10(b) of Title 11 of the Code of Federal Regulations states, in part, that if the Commission determines that the national committee or convention committee incurred convention expenses in excess of the limitations under 11 C.F.R. § 9008.7(a), it shall notify such national committee of the amount of such excessive expenditures, and such national committee shall pay to the Secretary an amount equal to the amount specified.

Section 9008.10(g)(2) of Title 11 of the Code of Federal Regulations states, in part, that the national committee shall repay to the Secretary, within 90 days of the notice, the amount of the repayment.

The Audit staff reviewed the Committee's expenditures subject to the spending limitation and prepared the following analysis. The Committee's entitlement/spending limitation for the 1988 nominating convention was \$9,220,000.

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Analysis of Expenditures Subject
to the Spending Limitation

Amount of Federal Funds Received by the Committee (Expenditure Limitation)	\$9,220,000.00
Less: Total Convention Related Expenditures as Adjusted (Inception to 3/31/89)	\$9,338,674.44
Refunds & Rebates Received (Inception to 3/31/89)	(86,618.43)
Winding Down Expenses	
Processing of Conv. Proceedings ^{1/}	40,000.00
Contingent Liability ^{2/}	<u>21,000.00</u>
Total Expenditures Subject to Limitation	<u>9,313,056.01</u>
Amount In Excess of the Limitation	<u>\$ 93,056.01</u>

As a result of the matters discussed in Findings II.A. and B. above, the amount shown in excess of the spending limitation in the Interim Audit Report has been increased.

In the Interim Audit Report, it was noted that a Committee representative and Counsel for the RNC had informed the Audit staff that it is their intention to have the RNC pay for the processing of the convention proceedings. Counsel for the RNC takes the position that publishing the proceedings may be properly considered either a convention expense or a national

^{1/} This amount was estimated by the Committee.

^{2/} The Committee's Total Expenditures Subject to the Limitation has been increased by \$21,000.00 pending the resolution of a contingent liability of that amount. The Louisiana Host Committee '88, Inc., in its July 10, 1989, quarterly report, reported a debt owed to it by the Committee estimated to be \$21,000.00. The explanation of this debt was reported by the Louisiana Host Committee '88, Inc., in its Post Convention Report covering the period September 1, 1987 through October 3, 1988, as follows: "This amount may be owed by the Committee on Arrangements to the Host Committee as the result of coordination of volunteers and youth services in conjunction with the 1988 Republican National Convention. Reconciliation of this amount and the corresponding expenses will be made by the time the next report is filed by the Host Committee". According to the records of the Louisiana Host Committee '88, Inc., it appears that the obligation has been settled for \$12,000; however, no documentation for the determination of this lesser amount is available.

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committee expense and paid by either. He stated that nothing in Committee bylaws requires the Committee to publish the convention proceedings and that the proceedings are distributed to national committee members and libraries.

In its response to the Interim Audit Report, the Committee made no mention of its plans for the publishing of the convention proceedings. Likewise, the Committee has not made a provision for publishing the proceedings in its calculation of Total Convention Related Expenditures Adjusted. In a follow-up discussion of this issue, a Committee spokesperson stated that the project had been started but is currently "on hold".

Given the nature of this expense and that in both 1980 and 1984 the arrangements committees paid for the publishing of the proceedings, in the absence of a definitive statement by the Committee with regard to the publishing of the proceedings and the costs related thereto, the Audit staff has included the cost estimate as a convention expense.

Conclusion #3

On October 18, 1989, the Commission made an initial determination that the Committee has exceeded the \$9,220,000.00 spending limitation for 1988 national nominating conventions by \$93,056.01 and that an equal amount is repayable to the United States Treasury pursuant to 11 C.F.R. §9008.10.

If the Committee does not dispute this determination within 30 calendar days of service of this report, the initial determination will be considered final.

Repayment Amount: \$93,056.01

D. Repayment of Investment Income

Section 9008.6(a)(5) of Title 11 of the Code of Federal Regulations states, in part, that any investment of public funds to generate income is permissible only if the income so generated is used to defray convention expenses. Such income, less any tax paid on it, will be applied against the national committee's payments under 11 C.F.R. § 9008.2, or where appropriate, the Commission may determine that a repayment is required on the basis of such income.

The Committee earned income from the investment of funds in certificates of deposit. After tax income was \$13,033.00 in 1987 and \$12,028.25 in 1988.

On January 19, 1989, the Committee submitted to the Commission, a check in the amount of \$25,066.00, payable to the United States Treasurer which represents a repayment of after tax interest income.

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Conclusion #4

On October 18, 1989, the Commission made an initial determination that \$25,066.00 of after tax investment income is repayable to the United States Treasury, and has been received, pursuant to Section 9008.6(a)(5) of Title 11 of the Code of Federal Regulations.

Repayment Amount: \$25,066.00

E. Repayment Summary

Conclusion #3.	
Repayment of Excessive Expenditures	\$93,056.01
Conclusion #4.	
Repayment of Investment Income	<u>25,066.00</u>
Total Repayment	<u><u>\$118,122.01</u></u>

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