



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-3

April 15, 1999

Dennis M. Charles, Treasurer
Indiana Democratic Congressional Victory
Committee
One N. Capitol Avenue Suite 200
Indianapolis, IN 46204

Identification Number: C00108613

Reference: Year End Report (11/24/98-12/31/98)

Dear Mr. Charles:

This letter is to inform you that as of April 14, 1999, the Commission has not received your response to our request for additional information, dated March 24, 1999. This notice requests information essential to full public disclosure of your federal election campaign finances. To ensure compliance with the provisions of the Federal Election Campaign Act (the Act), please respond to this request (copy enclosed).

If no response is received within fifteen (15) days from the date of this notice, the Commission may choose to initiate audit or legal enforcement action.

If you should have any questions regarding this matter, please contact Andrew Dodson on our toll-free number (800) 424-9530 or our local number (202) 694-1130.

Sincerely,

A handwritten signature in cursive script that reads "John D. Gibson".

John D. Gibson
Assistant Staff Director
Reports Analysis Division

Enclosure



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RQ-2

Dennis M. Charles, Treasurer
Indiana Democratic Congressional Victory Committee
One N. Capitol Avenue Suite 200
Indianapolis, IN 46204

MAR 24 1999

Identification Number: C00108613

Reference: Year End Report (11/24/98-12/31/98)

Dear Mr. Charles:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule H4 of your report to clarify the following description(s): IDEA, Circ Club '98, Election Night, Phone Program and Phones. For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

-Payments made to credit card companies must identify the original vendors from which you have purchased an item or service if your payments to these vendors have exceeded \$200 this year. Please amend your report by providing the mailing address, date, amount, and purpose of such payments as required by 11 CFR §104.9(b).

-Please be advised that if your report contains any disbursements for fundraising events or programs that have been incorrectly disclosed you should amend your report to adhere to the following reporting requirements.

1. A committee which allocates the costs of fundraising events between its federal and non-federal accounts is required to allocate the costs directly associated with a fundraising program or event according to the "funds received" method. The fundraising ratio shall be estimated prior to each

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fundraising event based on the committee's reasonable prediction of its federal and nonfederal revenue from that event. The estimated percentage of federal funds received to nonfederal funds received for a fundraising event must be disclosed on a Schedule H2 with a unique identifier code and included with each report disclosing a disbursement for that event or program.

2. Any transfer received from your nonfederal account for the nonfederal account's share of fundraising expenses must be disclosed on a Schedule H3 identifying the date of receipt, amount, fundraising event and unique identifier code.
3. All disbursements for fundraising expenses which have been allocated between the federal and nonfederal accounts must be categorized as fundraising disbursements on Schedule H4. The date of disbursement, purpose of disbursement, unique identifier code, event year-to-date total and both the federal and nonfederal shares of the disbursement must also be provided.
4. The committee has up to 60 days after the ending date of the event to adjust the estimated allocation ratio based on the actual funds received.
 - a. The committee must report the adjusted ratio for the fundraising event on Schedule H2 and date of the fundraising event.
 - b. If the adjusted ratio increases the federal portion of the fundraising ratio the federal account must make a transfer to the nonfederal account for any nonfederal over-payment of fundraising expenses on Schedule H4.

If your report contains any disbursements for fundraising events or programs that have been incorrectly disclosed, please amend your report to disclose the allocation ratio and unique identifier code for all fundraising events or programs on Schedule H2. Also, please disclose any nonfederal transfers for fundraising events on Schedule H3 including identification of the fundraising event, unique identifier code and date of receipt. Please categorize as "fundraising" any disbursements associated with fundraising events on Schedule H4 and include the purpose of disbursement, unique identifier code, date of disbursement and the federal and nonfederal share of each disbursement. Please see the attached instructions illustrating the proper reporting method for allocating federal and nonfederal expenditures for fundraising events.

-Your report discloses a transfer(s) to the Indiana Democratic State Committee which appears to be a non-federal account of your committee. 11 CFR §§106.5 and 106.6 prohibits a committee's federal account from

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reimbursing its non-federal account for shared allocable expenses. Also, the non-federal account is prohibited from paying the federal account's share of these expenses. These types of costs must be paid according to the allocation ratio derived from the appropriate method on Schedule H1.

If the transfer(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. If your non-federal account has paid any expenditures which should have been allocated, you are advised to correct any non-compliance with 11 CFR §106.5 and 106.6 and establish procedures to insure future compliance with allocation regulations.

Although the Commission may take further legal action regarding this improper allocation activity, your prompt action will be taken into consideration.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 694-1130.

Sincerely,



Andrew J. Dodson
Senior Reports Analyst
Reports Analysis Division

6. Allocating Committee Fundraising Expenses

Example

The Loyalist State Party Committee raises money for its federal and nonfederal accounts at a banquet called "King's Ransom" (the unique identifier). People buying tickets must designate their checks as either federal contributions (subject to the limits and prohibitions of the Act) or nonfederal contributions (subject to applicable state law). People wishing to contribute to both accounts must write separate checks to each account. The Loyalist State Party Committee spends \$7,000 on "King's Ransom."

Required Forms

- Schedule H2—Allocation Ratios
- Schedule H3—Transfers from Nonfederal Account
- Schedule H4—Payments for Allocable Expenses

Estimated Fundraising Ratio (H2)

A committee raising money for both its federal and nonfederal accounts through the same fundraising activity allocates the costs directly associated with the program or event according to the "funds received" method (ratio of federal funds received to total funds received). In the first reporting period in which money is spent on "King's Ransom," the Loyalist State Party Committee estimates the ratio on Schedule H2, as shown in the illustration.

The committee must continue to file Schedule H2 with each report disclosing a disbursement for "King's Ransom."

ESTIMATED FUNDRAISING RATIO (H2)

SCHEDULE H2 Allocation Ratios		PAGE 1 OF 1	
NAME OF COMMITTEE Loyalist State Party Committee			
ALLOCATION RATIOS FOR INDIVIDUAL FUNDRAISING EVENTS, EXEMPT ACTIVITIES, AND SHARED DIRECT CANDIDATE SUPPORT APPEARING ON THIS REPORT.			
Methods of allocation:			
I. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses that equal the federal proportion of monies raised.			
II. EXEMPT activities are allocated using the "time and space method" where the federal proportion of disbursements is based on the proportion of time or space devoted to federal candidates.			
III. Shared DIRECT CANDIDATE support activities are allocated according to benefit expected to be derived, where the federal proportion of disbursements is based on the benefit derived by federal candidates from the activity.			
NAME OF ACTIVITY OR EVENT King's Ransom	FEDERAL % 80%	NON-FEDERAL % 20%	
<input type="checkbox"/> DIRECT CANDIDATE SUPPORT <input checked="" type="checkbox"/> NEW <input type="checkbox"/> REUSED <input type="checkbox"/> SAME AS PREVIOUSLY REPORTED			

Schedule H2 shows the allocation ratios for categories of expenses other than the administrative/generic voter drive category. The unique identifier must be entered ("King's Ransom") as well as the appropriate expense category ("Fundraising"). The "New" box is checked to show that the ratio is disclosed for the first time. The 80/20 ratio is an estimate; it will have to be adjusted within 90 days after the fundraiser to reflect the actual ratio.

Nonfederal Transfer (H3)

Using Schedule H3, the Loyalist State Party Committee reports the transfer received from the nonfederal account to pay a nonfederal portion of "King's Ransom" (\$5,500). The unique identifier is again used.

(The total amount of transfers itemized on Schedule H3 is entered on Line 18 of the Detailed Summary Page.)

TRANSFER FROM NONFEDERAL ACCOUNT (H3)

RECEIPT SCHEDULE H3 (Nonfederal (H3))		TRANSFERS FROM NON-FEDERAL ACCOUNTS		Page 1 of 1
NAME OF COMMITTEE Loyalist State Party Committee				TOTAL AMOUNT TRANSFERRED
NAME OF ACCOUNT Nonfederal Account		DATE OF RECEIPT 8/21/98	\$5,500.00	
SECTION OF RECEIPT RECEIVED				
	INDIRECTLY PAID AMOUNT	DIRECT PAYMENT AMOUNT	EXEMPT ACTIVITIES (ELECTORAL CAMPAIGN SUPPORT)	
1	Total Administrative/Other Fees			
2	Total Fundraising (for Events/Events in State)			
3	King's Ransom	\$5,500.00		
4				
5				
6				

The nonfederal share of "King's Ransom" payments must be transferred within the 70-day window.

Payments (H4)

The committee discloses the federal and nonfederal shares of "King's Ransom" payments on Schedule H4, again using the unique identifier.

(The federal and nonfederal payments made that appear on Schedule H4 are entered on Lines 21a(i) and (ii) of the Detailed Summary Page.)

ALLOCATED PAYMENTS (H4)

DISBURSEMENT SCHEDULE H4 (Nonfederal (H4))		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE		Page 1 of 1
NAME OF COMMITTEE Loyalist State Party Committee				FOR LINE 21a
A. FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE
Hotel Royale 3334 His Majesty's Way City, State ZIP	banquet/dinner/ celebrating King's Ransom	8/10/98	\$8,000.00	\$3,000.00
CATEGORY: <input type="checkbox"/> Administrative/Other <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Exempt DIRECT CONTRIBUTION: \$8,000.00 <input type="checkbox"/> EXEMPT ACTIVITIES (ELECTORAL CAMPAIGN SUPPORT)				
B. FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE
A-Let Invites 1000 Elm Circle City, State ZIP	Invitations: King's Ransom	8/15/98	\$1,000.00	\$500.00
CATEGORY: <input type="checkbox"/> Administrative/Other <input checked="" type="checkbox"/> Fundraising <input type="checkbox"/> Exempt DIRECT CONTRIBUTION: \$7,000.00 <input type="checkbox"/> EXEMPT ACTIVITIES (ELECTORAL CAMPAIGN SUPPORT)				

Payments for "King's Ransom" are allocated according to the estimated ratio: 50 percent federal, 50 percent nonfederal.

ADJUSTED RATIO: FEDERAL PERCENTAGE INCREASED (H2)

SCHEDULE H2 (Revised 1/8/81)		ALLOCATION RATIOS	
		PAGE 1	OF 3
NAME OF COMMITTEE Loyalist State Party Committee			
ALLOCATION RATIOS FOR INDIVIDUAL FUNDRAISING EVENTS, EXEMPT ACTIVITIES, AND SHARED DIRECT CANDIDATE SUPPORT APPEARING ON THIS REPORT.			
Methods of allocation: 1. FUNDRAISING activities are allocated using the "funds received method" where the federal proportion of expenses must equal the federal proportion of monies raised.			
NAME OF ACTIVITY OR EVENT King's Ransom (event date 8/31/88)	FEDERAL % 80%	NON-FEDERAL % 20%	
ACTIVITY IS: <input checked="" type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT <input type="checkbox"/> DIRECT CANDIDATE SUPPORT CHECK THE BOXES: <input type="checkbox"/> NEW <input type="checkbox"/> REVISED <input type="checkbox"/> SAME AS PREVIOUSLY REPORTED			

The "Revised" box is checked because the original ratio (80/20) had to be adjusted. The adjustment increases the federal portion by 10 percent. The federal account must therefore make a transfer to the nonfederal account to reimburse the 10 percent overpaid by the nonfederal account.

FEDERAL TRANSFER (H4)

DISBURSEMENT SCHEDULE H4 (Revised 1/8/81)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE			
		PAGE 1		OF 3	
		FOR LINE 21c			
NAME OF COMMITTEE Loyalist State Party Committee					
A FULL NAME, MAILING ADDRESS & ZIP CODE State Party Committee/ Nonfederal Account 445 Democracy Blvd. City, State ZIP	APPROPRIATION King's Ransom rebo adjustment (event date 8/31/88)	DATE	TOTAL AMOUNT \$700.00	FEDERAL SHARE \$700.00	NON-FEDERAL SHARE 0
ACTIVITY IS: <input checked="" type="checkbox"/> FUNDRAISING <input type="checkbox"/> EXEMPT CHECK THE BOXES: <input type="checkbox"/> NEW <input type="checkbox"/> REVISED <input type="checkbox"/> SAME AS PREVIOUSLY REPORTED					

The adjusted ratio requires the federal account to transfer to the nonfederal account 10 percent (for \$700) of "King's Ransom" payments (which totaled \$7,000). Note that the "Event Year-to-Date" total is left blank when disclosing a federal transfer.

Adjusted Ratio (H2)

Within 90 days after the last day of the program or event, the committee needs to adjust the allocation ratio to reflect the actual ratio of federal receipts to total receipts. The committee reports the adjusted ratio on Schedule H2. Note that the committee must disclose the date of a fundraising program or event when reporting an adjustment to the ratio.

(Further ratio adjustments will be necessary if additional receipts come in.)

Federal Transfer (H4)

If the adjusted ratio increases the federal portion, the federal (or allocation) account must make a transfer to the nonfederal account for the nonfederal overpayment. Again, the transfer must be made within 90 days after the close of the program or event. The date of the program or event must be noted when reporting a transfer based on an adjusted ratio.

