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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 27, 2004

Joe Arnold, Treasurer
Tennessee Republican Party
Federal Election Account
1922 West End Avenue
Nashville, TN 37203

Response Due Date:
November 26, 2004

Identification Number: C00040220

Reference: Amended May Monthly Report (4/1/04-4/30/04), received 7/20/04

Dear Mr. Arnold:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **An adequate response must be received at the Commission by the response date noted above.** An itemization of the information needed follows:

-Your report discloses additional disbursements totaling \$151,074.16 on Line(s) 21(a)(i) and 21(a)(ii) of the Detailed Summary Page that were not disclosed on your original report. Please provide clarifying information as to why this activity was not disclosed on your original report.

-Please provide the total(s) for Line 28(c), Column A and B of the Detailed Summary Page. Note that changes in your figures may affect your Column B totals on this report and/or on subsequent reports.

-Commission Regulations require that a committee disclose the identification of all individuals who contribute in excess of \$200 in a calendar year. (11 CFR §104.3(a)(4)(i)) Identification for an individual is defined as the full name, mailing address, occupation and name of employer. (11 CFR §100.12) Your report discloses contributions from individuals for which the identification is not complete.

You must provide the missing information, or if you are unable to do so, you must demonstrate that "best efforts" have been used to obtain the

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information. To establish "best efforts," you must provide the Commission with a detailed description of your procedures for requesting the information. Establishing "best efforts" is a three-fold process.

First, your original solicitation must include a clear and conspicuous request for the contributor information and must inform the contributor of the requirements of federal law for the reporting of such information. (11 CFR §104.7(b)(1))

Second, if the information is not provided, you must make one follow-up, stand alone effort to obtain this information, regardless of whether the contribution(s) was solicited or not. This effort must occur no later than 30 days after receipt of the contribution and may be in the form of a written request or an oral request documented in writing. (11 CFR § 104.7(b)(2))
The request must:

- clearly ask for the missing information, without soliciting a contribution;
- inform the contributor of the requirements of federal law for the reporting of such information, and
- if the request is written, include a pre-addressed post card or return envelope.

Third, if you receive contributor information after the contribution(s) has been reported, you shall either a) file with your next regularly scheduled report, an amended memo Schedule A listing all the contributions for which additional information was received; or b) file on or before your next regularly scheduled reporting date, amendments to the report(s) originally disclosing the contribution(s). (11 CFR §104.7(b)(4))

Please provide the missing information or a detailed description of your procedures for requesting the information. For more information on demonstrating "best efforts," please refer to the Campaign Guide.

-Your Amended Mid-Year Report, received 2/6/04 disclosed \$25,273.86 in memo entries on Schedule H4 and your Amended December Monthly Report, received 2/20/04 disclosed \$35,800.30 in memo entries on Schedule H4 for apparent shared federal and non-federal administrative expenses paid directly from your non-federal account. You were advised by the Commission that if your non-federal account paid for any portion of the federal share of these administrative expenses, your federal account must immediately repay your non-federal account and/or disclose that amount as a debt owed to your non-federal account on Schedule D.

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In miscellaneous electronic documents filed with the Commission on 4/19/04 referencing the reports mentioned above, you stated that you transferred out the total amount of the memo entries from your federal account to your non-federal account which would be disclosed on your FEC report for the month ending April 30, 2004. However, on this report you have incorrectly itemized these transfers to your non-federal account on Schedule H4.

Please be advised that these transfers do not qualify as shared expenses to be allocated between your federal and non-federal accounts, as indicated by your Schedule H4. Since this disbursement should be a 100% federal operating expenditure, it should be itemized on a Schedule B supporting Line 21(b) of the Detailed Summary Page. Any reimbursement from your committee's non-federal account for any portion of this transfer is not permissible. 11 CFR §102.5(a)(1)(i) Please amend your report to disclose this transfer to your non-federal account on Schedule B supporting Line 21(b) for the amount that your federal account owes for its share of these administrative expenses that were previously paid by the non-federal account.

You are advised to correct any non-compliance with 11 CFR §106.7 and establish procedures to insure future compliance with allocation regulations.

-Schedule H4 supporting Line 21(a) discloses \$90,000 in transfers to what appears to be a non-federal account of your committee. Please provide further clarification regarding this transfer to your non-federal account.

You are advised that 11 CFR §102.5 prohibits a non-federal account from financing activity in connection with federal elections. If any of the disbursements disclosed on Schedule H4 supporting Line 21(a) were made to influence the election or defeat of specific federal candidates, the disbursements should be allocated accordingly and disclosed as either in-kind contributions on Schedule B supporting Line 23, independent expenditures on Schedule E supporting Line 24, or as coordinated expenditures on Schedule F supporting Line 25. 11 CFR §§104.3(b)(3) and 106.1 In addition, 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 §§106.6 and 106.7 and establish procedures to insure future compliance with allocation regulations.

Further, transfers to your non-federal account do not qualify as shared expenses to be allocated between you federal and non-federal accounts. If the disbursement(s) represents a 100% federal operating expenditure, it

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should be itemized on Schedule B supporting Line 21(b) of the Detailed Summary Page. Any reimbursement from your committee's non-federal account for any portion of this transfer is not permissible. 11 CFR §102.5(a)(1)(i)

-Schedule A supporting Line 15 of the Detailed Summary Page discloses a refund(s) or rebate(s) of what appears to be a previously disclosed allocable expense(s) from "Postmaster." Please be advised that when a committee receives a refund or rebate of an allocable expense, it must be allocated between the federal and non-federal accounts according to the same allocation ratio used to allocate the original disbursement. Furthermore, the federal account must transfer the non-federal portion to the non-federal account and disclose this transfer-out on Schedule H4. Your report does not appear to disclose a transfer-out of the non-federal portion of this refund(s) or rebate(s). Please provide clarification regarding this apparent omission.

-Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "Insurance." Please be advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on Federal election activity or activities in connection with a Federal election must not be allocated between or among federal and non-federal accounts. Rather, only federal funds may be used. Further, the Commission concluded in Advisory Opinion 2003-11 that amounts spent for employee-specific "fringe benefits," consisting of health insurance, disability insurance, life insurance, retirement benefits and payroll taxes, fall into the category of compensated time.

Any reimbursement from your committee's non-federal account for this payment is not permissible and must be returned. Although the Commission may take further legal action regarding this improper allocation activity, your prompt action will be taken into consideration.

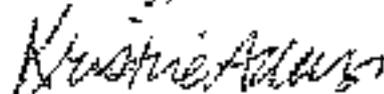
Unlike previous election cycles, you will not receive an additional notice from the Commission on this matter. Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. Requests for extensions of time in which to respond will not be considered. Failure to provide an adequate response by this date may result in an audit of the committee. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

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Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1141.

Sincerely,



Kristine Adams

Campaign Finance Analyst

Reports Analysis Division

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