



Democratic National Committee

Steve Grossman, *National Chair* • Governor Roy Romer, *General Chair*

December 18, 1997

Ms. Debbie Manzano
Senior Reports Analyst
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

ID#: C00010603

RE: Response to letter of December 3, 1997 to Carol Pensky,
Treasurer, DNC Services Corporation/Democratic National Committee.

Dear Ms. Manzano:

The DNC is in receipt of your letter of December 3, 1997. In this letter, you request clarification of the following items from our 1997 Mid-Year Report, which covered the period from January 1, 1997 through June 30, 1997:

1) You state that the amount disclosed on Line 31, Column B of the summary page appears to be incorrect.

* Enclosed, please find an amended Summary Page which corrects this error.

2) You request clarification for offsets for operating expenditures for Schedule A, Line 15 for the following:

* Democratic Properties Corp. - This offset was a misdeposit of a non-federal offset. The entire amount of this deposit will be immediately transferred to the DNC's Non-Federal Corporate account.

* 1996 Democratic National Convention Committee, Inc. - This payment is reimbursement for the payment of convention expenses by the DNC prior to the receipt of the federal grant for the 1996 Democratic National Convention. Such reimbursement payments are permissible pursuant to 11 C.F.R. § 9008.7(a)(3).

* NCAS - Payments from NCAS reflect funds received on behalf of the DNC by NCAS from former employees of the DNC who reimburse the DNC for health insurance payments through COBRA.

3) You state that the outstanding balances on Schedule D for Kaiser Foundation Health Plan and Triplex Direct Marketing Corporation appear to be incorrect.

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FEDERAL ELECTION
COMMISSION MAIL ROOM

- * Enclosed, please find an amended Schedule D which clarifies this discrepancy.

4) You ask for clarification for certain debts on Schedule D for which the amount incurred during the reporting period discloses credits:

- * Alaniz and Sons, Inc. - This debt was included due to a data entry error during the 1996 Post-General Report. Accordingly, please find amendments for the Post-General, Year-End and Mid-Year Reports which correct this error. Please note that, but for the data entry error, no reportable debt to this vendor existed, and is being omitted from the debt schedules for the Post-General, Year-End and Mid-Year Reports.
- * Merkle Computer Systems, Inc. - This debt contains a data entry error during the 1996 Post-General Report. Accordingly, please find amendments for the Post-General and Year-End Reports which correct this error. Please note that, but for the data entry error, no reportable debt to this vendor existed, and is being omitted from the debt schedule for the Post-General and Year-End Reports.
- * Names in the News - The credit during the mid-year report reflects a correction of a data entry error for invoices received during 1996. Please note that an amendment for Names in the News is enclosed.
- * Reese Brothers, Inc. - This credit reflects a negotiated settlement in connection with a dispute with the vendor, which provided telemarketing fundraising services to the DNC. The settlement stems from a dispute regarding the quality of services rendered by the vendor to the DNC.
- * Romash Communications - The inclusion of this debt was due to a data entry error during the Year-End reporting period. Please note that, but for the data entry error, no reportable debt to this vendor existed, and is being omitted from the debt schedule for the Year-End and Mid-Year Reports.
- * Triplex Direct Marketing Corp. - The credit for this vendor reflects a credit received from the vendor due to errors in prior invoices received from the vendor.
- * U.S. Treasury - This debt contained a data entry error during the Year-End Report period. Accordingly, the Year-End and Mid-Year Reports have been amended.

5) You state that Schedule A discloses a contribution which may

exceed the limitations of 2 U.S.C. § 441a.

- * In response to your letter, the DNC has transferred the entire \$50,000 from its Federal Account to its Non-Federal Individual Account (A copy of the transfer check is enclosed).

6) You state that Schedule A discloses contributions that may be drawn on a corporate account.

- * Each contribution referred to in your letter has been made from personal funds. The inclusion of the corporate name was intended as part of the individual's address, and not as any indication as to the source of the contributions.

7) You state that Schedule A, Line 11⁶ discloses a contribution) from AANA CRNA PAC. Your request clarification as to whether this PAC is registered with your office.

- * The above mentioned committee refers to the American Association of Nurse Anesthetists Separate Segregated Fund (CRNA-PAC) (FEC ID# C00173153).

8) You state that Schedule A, Line 12 does not equal the amount disclosed in the itemized schedules.

- * Due to a computer error, a receipt, in the amount of \$10,000, from the Minnesota Democratic Party was not itemized (The amount was included in the YTD summary). An amended Schedule A is enclosed.

9) You ask that an address for Michael Stratton, on Schedule H4, be provided.

- * Enclosed, please find an amended Schedule H4, which provides the omitted address.

10) You ask that payments to credit card companies include the identification of the original vendors to which payments were made.

- * Enclosed, please find memo schedules which provide this information.

11) You ask for clarification of all media expenditures made by the DNC on Schedule H4.

- * All media expenditures disclosed on Schedule H4 were for "generic" media. These media expenditures were not made on behalf of any specific federal candidate.

12) You state that certain payroll expenditures on Schedule H4

contain 100% non-federal activity. You request that the Federal account return any payments for these expenditures to a non-federal account.

- * Since the inception of the allocation rules in 1991, the Democratic National Committee has paid for its payroll in the exact same manner. As part of that process, the DNC has maintained a single payroll account into which all payroll funds are transferred. Since almost all of the DNC staff are paid for with federal funds, the DNC designated its payroll account as a federal account. Ultimately all payroll funds are transferred into this account, and a payroll company, ADP, disburses all payroll related costs from this account.

As part of its payroll process, the DNC covers the initial payroll and health insurance costs for members of certain non-federal committees such as the Democratic Governors Association. The DNC makes these payments on behalf of these organizations since most payroll and health insurance companies will not provide services to organizations with such a small payroll. The DNC is reimbursed dollar-for-dollar for these payments, and deposits these payments into its Non-Federal Corporate account. Since the DNC had maintained a single payroll account, and in order to simplify payroll reporting, the DNC has transferred funds directly to its one payroll account to pay for these costs for several years prior to 1991. The DNC has made your office aware of this process, and on several occasions since 1991, your office has indicated, orally, that this method would be acceptable. Furthermore, the current DNC reporting process for payroll has been in place for seven years, and we believe that this practice has never been questioned by your office. Therefore, the DNC does not intend to make any reallocation of federal funds at this time, nor do we feel that it makes sense to amend our reports since we believe that our current reporting for payroll provides a clear and centralized process for analyzing DNC payroll expenses.

Notwithstanding our objections to your request, and in light of your concerns regarding the allocation process, the DNC is attempting to restructure its payroll for 1998 so that our non-federal payroll expenses are routed through a non-federal payroll account. When the DNC is able to successfully restructure its payroll procedures, it will notify the Commission.

13) You state that Schedule B contains disbursements to Clinton-Gore '96 GELAC which may exceed the limits proscribed by 2 U.S.C.

§ 441a.

- * Payments made to Clinton/Gore '96 GELAC reflect a transfer of joint fundraising proceeds which were collected by the DNC, as joint fundraising representative, pursuant to 11 C.F.R. §102.17.

14) You request the date of an original contribution received from J. Shelby Bryan.

- * Transfers made by the DNC for J. Shelby Bryan reflect a full reallocation of the DNC's federal portion of joint fundraising receipts: \$12,400 on August 22, 1996 for Birthday Victory Fund, \$2,000 on September 4, 1996 for Victory '96. Also, the DNC made a partial reallocation of a \$20,000 contribution which was deposited on August 9, 1996.

15) You request clarification regarding transfers for voided allocable expenditures.

- * Please note that on July 18, 1997, the DNC made an additional transfer of \$150,742.81 from its Federal Account to its Non-Federal Corporate account in connection with these voided checks. This transaction will be disclosed on our 1997 Year-End Report.

16) You request clarification of two receipts from party committees during this reporting period. You state that the contributing committee has not disclosed the contributions reported by the DNC on Line 12 of its report.

- * Iowa Democratic Party - The Iowa Democratic Party disclosed a transfer of \$50,000 on its 1996 Year-End Report, since this transfer was disbursed by the committee on December 30, 1996.
- * New Jersey Democratic Party - The New Jersey Democratic Party disclosed the \$10,000 transfer on Line 23 of its Mid-Year Report. We have informed the committee that it should amend its report to reflect the transfer on Line 22 of its report.

17) You state that a transfer disclosed by the Minnesota Democratic Party has not been disclosed.

- * An amended Schedule A has been enclosed (Please see explanation for question number 8 above).

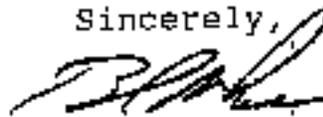
18) You state that the summary page for Schedule I, Line 5 does not equal the entries on the itemized schedules.

- * This discrepancy appears to have occurred by the unintentional omittal of two pages from Line 5 of our report. These pages are enclosed with this letter

Also enclosed in this letter is an amendment to Line 1 of DMC Non-Federal Corporate for this report. This amendment merges contributions from WMX Technologies, Inc. and Waste Management, Inc. Both contributions were made by Waste Mangement, Inc., which is a subsidiary of WMX Technologies, Inc.

If you have any further questions regarding this matter, feel free to contact me at the address below.

Sincerely,



Bradley K. Marshall
Assistant Treasurer

REPORT OF RECEIPTS AND DISBURSEMENTS

For Other Than An Authorized Committee
(Summary Page)

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USE FEC MAILING OR TYPE OR PRINT

1. NAME OF COMMITTEE (in full)
DNC Services Corporation/Democratic National Committee
 ADDRESS (number and street) Check if different than previously reported
430 South Capitol Street, S.E.
 CITY, STATE and ZIP CODE
Washington, D.C. 20003

2. FEC IDENTIFICATION NUMBER
00010603
 3. This committee has qualified as a multicandidate committee. (see FEC FORM 1M)

4. TYPE OF REPORT

- (a) April 15 Quarterly Report
 July 15 Quarterly Report
 October 15 Quarterly Report
 January 31 Year End Report
 July 31 Mid Year Report (Non-election Year Only)
 Termination Report

Monthly Report Due On:

- February 20 June 20 October 20
 March 20 July 20 November 20
 April 20 August 20 December 20
 May 20 September 20 January 31

- Twelfth day report preceding _____
 (Type of Election)
 election on _____ in the State of _____
 Thirtieth day report following the General Election on
11/25/96 in the State of _____

(b) Is this Report an Amendment? YES NO

SUMMARY		COLUMN A This Period	COLUMN B Calendar Year-to-Date
5. Covering Period	<u>10/17/96</u> through <u>11/25/96</u>		
6. (a) Cash on Hand January 1, 19 <u>96</u>			\$ 1,323,152.59
(b) Cash on Hand at Beginning of Reporting Period		\$ 6,693,807.77	
(c) Total Receipts (from Line 19)		\$ 10,916,198.77	\$ 89,104,779.05
(d) Subtotal (add Lines 6(b) and 6(c) for Column A and Lines 6(a) and 6(c) for Column B)		\$ 17,610,006.54	\$ 90,427,931.64
7. Total Disbursements (from Line 30)		\$ 14,549,405.88	\$ 87,367,330.98
8. Cash on Hand at Close of Reporting Period (subtract Line 7 from Line 6(d))		\$ 3,060,600.66	\$ 3,060,600.66
9. Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D)		\$ 17,121.58	For further information contact: Federal Election Commission 999 E Street, NW Washington, DC 20463 Toll Free 800-424-9530 Local 202-219-3420
10. Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D)		\$ 5,880,722.54	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer
JANIS MARIANO

Signature of Treasurer


Date
12/18/97

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. 5437g.

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FEC FORM 3X
(revised 9/93)

DEBTS AND OBLIGATIONS
Excluding Loans

Name of Committee (In Full)	Outstanding Balance Beginning This Period	Amount Incurred This Period	Payment This Period	Outstanding Balance at Close of This Period
DNC Services Corp.				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor				

Nature of Debt (Purpose): PRINTING				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor				
ALLIED ENVELOPE COMPANY, INC. P.O. BOX 6506 CARLSTADT, NJ 20005	\$0.00	\$17,317.50	\$0.00	\$17,317.50

Nature of Debt (Purpose): PRINTING				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor				
AMERITECH P.O. BOX 182209 COLUMBUS, OH 43218-2209	\$783.84	\$0.00	\$783.84	\$0.00

Nature of Debt (Purpose): PHONE SERVICES				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor				
ARIA COMMUNICATIONS 717 WEST ST. GERMAIN ST. ST. CLUD, MN 56301	\$8,674.69	\$6,200.88	\$8,706.18	\$6,169.37

Nature of Debt (Purpose): CONSULTING				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor				
THE ART LITHO COMPANY 1500 W. PATAPSCO AVENUE BALTIMORE, MD 21230-3420	\$0.00	\$2,169.99	\$0.00	\$2,169.99

Nature of Debt (Purpose): PRINTING				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor				
AT&T CREDIT CORPORATION P.O. BOX 85690 ACCT. #4525 LOUISVILLE, KY 40285-5690	\$6,365.91	\$1,593.31	\$6,365.91	\$1,593.31

Nature of Debt (Purpose): PHONE SERVICES				
1) SUBTOTALS This Period This Page (optional)				
2) TOTAL This Period (last page this line only)				
3) TOTAL OUTSTANDING LOANS from Schedule C (last page only)				
4) ADD 2) and 3) and carry forward to appropriate line of Summary Page (last page only)				

Excluding Loans

Name of Committee (in Full)	Outstanding Balance Beginning This Period	Amount Incurred This Period	Payment This Period	Outstanding Balance at Close of This Period
ANC Services Corp.				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor MALCHOW, ADAMS & HUSSEY 1400 I STREET, N.W. SUITE 650 WASHINGTON, DC 20005	\$117,352.26	\$218,149.76	\$70,201.73	\$265,300.29
Nature of Debt (Purpose): DIRECT MAIL CONSULTING				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor ALAN MANDEL 4108 WOODMAN AVE. SHERMAN OAKS, CA 91423	\$1,500.00	\$0.00	\$1,500.00	\$0.00
Nature of Debt (Purpose): CONSULTING FEES				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor				

Nature of Debt (Purpose): COMPUTER MAINTENANCE				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor MOORE RESPONSE MARKETING P.O. BOX 92608-T CLEVELAND, OH 44190	\$826,124.00	\$686,362.91	\$691,621.33	\$820,865.58
Nature of Debt (Purpose): DIRECT MAIL CONSULTING				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor MOTOROLA CELLULAR P.O. BOX 4335 CAROL STREAM, IL 80197-4335	\$1,105.09	\$4,950.57	\$6,065.66	\$0.00
Nature of Debt (Purpose): EQUIPMENT SERVICES				
Full Name, Mailing Address, and Zip Code of Debtor or Creditor MUSIC EXPRESS 2530 ONTARIO STREET BURBANK, CA 91504	\$2,922.09	\$0.00	\$2,922.09	\$0.00
Nature of Debt (Purpose): COUSINE SERVICE				
1) SUBTOTALS This Period This Page (optional).....				
2) TOTAL This Period (last page this line only)				
3) TOTAL OUTSTANDING LOANS from Schedule C (last page only)				
4) ADD 2) and 3) and carry forward to appropriate line of Summary Page (last page only)				

Federal Election Commission

**ENVELOPE REPLACEMENT PAGE
FOR INCOMING DOCUMENTS**

The Commission has added this page to the end of this filing to indicate how it was received.

<input checked="" type="checkbox"/> Hand Delivered	Date of Receipt <i>12-19-97</i>
<input type="checkbox"/> First Class Mail	POSTMARKED
<input type="checkbox"/> Registered/Certified Mail	POSTMARKED
<input type="checkbox"/> No Postmark	
<input type="checkbox"/> Postmark Illegible	
<input type="checkbox"/> Received from the House office of Records and Registration	Date of Receipt
<input type="checkbox"/> Received from the Senate Office of Public Records	Date of Receipt
<input type="checkbox"/> Other (Specify):	Postmarked _____ and/or Date of Receipt
<input type="checkbox"/> Electronic Filing	
<i>Jm 13</i> PREPARER	<i>12-19-97</i> DATE PREPARED