



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

February 24, 2006

Drew Smith, Treasurer  
Democratic Party of Arkansas  
1300 West Capitol Avenue  
Little Rock, AR 72201

**Response Due Date:  
March 27, 2006**

Identification Number: C00024372

Reference: Year End Report (12/1/05 – 12/31/05)

Dear Mr. Smith:

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:

-The totals listed on Lines 11(c), 11(d), and 15, Column B of the Detailed Summary Page appear to be incorrect. Please be advised that you should add the "Calendar Year-to-Date" total from your previous report to the current "Total This Period" figure from Column A to derive the correct Column B totals. Please amend your report and any subsequent reports that may be affected by this correction.

-Schedules H3 of your Amended November Monthly Report (10/1/05 – 10/31/05), received 1/20/06, December Monthly Report (11/1/05 – 11/30/05), and Year End Report (12/1/05 – 12/31/05) disclose \$70,000.00 in transfers from the non-federal account for allocated Administrative activity. However, Schedules H4 of your reports disclose the non-federal share for allocated Administrative activity to be \$65,059.11 for the reporting period. While the non-federal account is permitted to transfer funds to the federal account for allocated activity, transfers for allocated activity must be made within a 70-day time period: no more than 10 days before or 60 days after the payment to the vendor. 11 CFR §§106.6(e)(2) and 106.7(f)(2) Please clarify the nature of the transfers-in from the non-federal account.

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The Commission recommends that you immediately transfer back to the non-federal account, the total excessive amount which was received by your federal account outside the 70-day time period. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

-Your report discloses a transfer for "Transfer to NFI for operating expenses" to the "Democratic Party - Non Federal Account" which appears to be a non-federal account of your committee. 11 CFR §§106.6 and 106.7 prohibits a committee's federal account from 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 §§106.6 and 106.7 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.

-Schedule H4 of your report discloses apparent interest payments for what appears to be a loan owed by your federal account. Please be advised that by definition, interest payments on loans received by your federal account do not qualify as shared expenses to be allocated between your federal and non-federal accounts. This activity should be itemized on a Schedule B for Line 21(b). Any reimbursement from your committee's non-federal account for any portion of these payments is not permissible. 11 CFR §102.5(a)(1)(i).

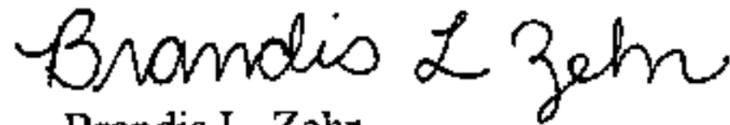
**Please note, you will not receive an additional notice from the Commission on this matter.** Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions of time in which to respond will not be considered.** 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

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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.

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) 694-1148.

Sincerely,



Brandis L. Zehr  
Campaign Finance Analyst  
Reports Analysis Division

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