



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

February 22, 2008

Karen Garcia, Treasurer
Democratic Party of Arkansas
1300 West Capitol Avenue
Little Rock, AR 72201

**Response Due Date:
March 24, 2008**

Identification Number: C00024372

Reference: Year End Report (7/1/07-12/31/07)

Dear Treasurer:

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. **Failure to adequately respond by the response date noted above could result in an audit or enforcement action.** Additional information is needed for the following 13 items:

1. Schedule A supporting Line(s) 11(c) of your report discloses a receipt(s) from "Mike Ross for Congress Committee," "Obama for America," "Richardson For President, INC," "John Edwards for President," "Hillary Clinton for President," "Kucinich for President 2008, Inc.," "Chris Dodd for President Inc.," "Biden for President Inc." and "Mike Gravel for President" which requires further clarification. For example, if this activity represents a transfer of funds, please indicate "transfer" on Schedule A supporting Line 11(c) of your report. If this activity represents a reimbursement for services provided to this committee, please indicate this on Schedule A supporting Line 15 of your report. Please amend your report to clarify the type of activity this receipt(s) represents.
2. Schedule B supporting Line 29 of your report discloses a voided or returned check(s) for an expenditure(s) made during this or a previous reporting period. Please clarify if and when this check(s) was reissued. If it was not reissued, please clarify the steps your committee has taken in order to avoid the acceptance of a prohibited in-kind contribution(s).
3. Schedule A of your report discloses in-kind contributions to your committee from the "Democratic National Committee" for the purpose of "On-Line Voter File Access In-Kind." Please be advised that the value of

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in-kind contributions must be added to the receipts and disbursements total in order to avoid either inflating or deflating the cash on hand amount, and itemized on the appropriate Schedules A and B. 11 CFR § 104.13(a)(2) The Commission notes the disbursements on Schedule B to "Voter Activation Network" for the purpose of "On-Line Voter File Access In-Kind." Please clarify if these disbursements relate to the receipt of in-kind contributions on Schedule A. Please refer to the enclosed sample of properly reported in-kind contributions.

4. Your report does not disclose any payments for salary or wages on Schedule B supporting Line 30(b) of the Detailed Summary Page. 11 CFR §100.24 defines as Federal Election Activity, services provided by an employee of a State, district or local party committee who spends more than 25 percent of their time during that month on activities in connection with a Federal election. You are advised that payments for salaries and wages for employees who spend more than 25 percent of their compensated time in a given month on Federal Election Activity or activities in connection with a Federal election must be made with Federal funds only. Please provide clarification regarding the lack of payments for salary and wages disclosed by your committee.

5. Schedule H3 of your report discloses a transfer(s)-in from a non-federal account(s) for "JJ Dinner 05-2007" which appears to exceed the permissible amount(s) indicated by your allocation ratio for this activity/event. Please be advised that transfers for allocated activity must not exceed the non-federal share of the joint disbursements and that these transfers must be made within a 70-day time period: no more than 10 days before or 60 days after payment to the vendor. 11 CFR §§106.6(e)(2) and 106.7(f)(2) Please clarify the nature of this transfer(s)-in from the non-federal account.

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

6. Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "Ad Sponsorship," "Advertising" and "General Advertisement". Please be advised that pursuant to 11 CFR §300.33(c)(1), expenditures for public communications (as defined by 11 CFR §100.26) that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any such candidate for Federal office

must not be allocated between or among federal and non-federal accounts. Only federal funds may be used.

Further, expenditures and disbursements for public communications that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any candidate for Federal office, meet the definition of Federal Election Activity under 11 CFR §100.24 and should be disclosed on Schedule B for Line 30(b) along with the identity of the candidate(s). However, public communications that meet the definition of Federal Election Activity and that also contain express advocacy as defined under 11 CFR §100.22, but do not meet the conditions of exempt activity, would constitute an in-kind contribution, an independent expenditure or a coordinated party expenditure and should be properly disclosed on a Schedule B, E or F supporting Lines 23, 24 or 25, as appropriate, rather than on Schedule B for Line 30(b). Please amend your report to properly disclose this activity or provide clarifying information.

If this activity was categorized incorrectly, the Commission recommends that you immediately transfer the funds received by your federal account for this activity back to the non-federal account. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

7. On Schedule H4, your allocated activity or event year-to-date total calculations for the Administrative and Voter ID categories are incorrect. Allocated activity or event year-to-date totals for administrative, voter drive, exempt activity costs and expenses for public communications made by PACs referencing only political parties are derived by aggregating all disbursements during the calendar year for each separate category. Allocated activity or event year-to-date totals for fundraising and direct candidate support activities are derived by aggregating all disbursements during the calendar year within a specific event. These should be calculated by adding the latest disbursement for a category or event to the previous event year-to-date total for that category or event. This running event year-to-date total should be disclosed after each disbursement is listed. Please amend your report by providing the correct event year-to-date totals.

8. On Schedule(s) H4 supporting Line(s) 21(a) of the Detailed Summary Page, you have not included the full name and/or mailing address for several vendors listed. Please amend your report accordingly.

9. Schedule H4 of your report discloses voided or returned checks for expenditures made during this or previous reporting periods. However, you

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have failed to disclose a transfer-out for the non-federal portion of these voided checks issued for allocable expenses. Please provide clarifying information regarding the non-federal portion and, in addition, please clarify if and when these checks were reissued. If they were not reissued, please clarify the steps your committee has taken to account for the federal portion of these voided or returned checks in order to avoid the acceptance of a prohibited in-kind contribution.

10. Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule(s) H4 of your report to clarify the following description(s): "Consulting," "Contract Labor," "General Party Merchandise" and "Springdale." For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

11. Schedule H4 of your report discloses a payment to "Bylites, Inc. Production Services," which is categorized as an Administrative expense; however, the purpose of disbursement disclosed is "JJ Dinner Expenses." Please be advised that payments made for your committee's fundraising activities must be allocated according to the funds received method and the ratio reflected on Schedule H2. Please amend your report to clarify the appropriate category for this activity or provide clarifying information regarding this apparent discrepancy.

12. Schedule A supporting Line 12 discloses a transfer(s)-in from the "Democratic National Committee." Schedule(s) H4 supporting Line 21(a) reflects payments for "General Party Buttons" and "General Party Merchandise". Please be advised that a state or local party committee may pay for campaign materials (such as bumper stickers, pins and yard signs) that are distributed by volunteers in connection with activity on behalf of the party's nominees in a general election and voter drive activity on behalf of the party's Presidential and Vice Presidential nominees. Payments for this type of activity are exempt from the definition of a contribution or expenditure if certain conditions are met. The conditions are that no public advertising may be used, including distribution by direct mail (mailings by a commercial vendor or from commercial lists); all funds used for the activity must be permitted under the Act; none of the funds used may have been designated for a particular candidate; and finally, payments for the activity may not be made from transfers-in from the national committee to specifically fund the activity. For further guidance, please refer to 11 CFR §§100.87 and 100.147 and to the Campaign Guide for Party Committees.

Please clarify the nature of the transfer(s)-in and subsequent payments for the aforementioned disbursement(s). If the activity disclosed on your

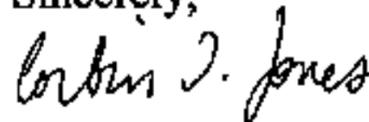
report does not meet the definition of "exempt" activity as described above, any portion of the expenditures made on behalf of specifically identified candidates must be disclosed on Schedule B, E or F supporting Line 23 or 30(b), 24 or 25 of the Detailed Summary Page as appropriate.

13. Please clarify all expenditures made for "Survey Research," and "Voter File Disk" on Schedule(s) H4. If a portion or all of these expenditures were made for activity that promotes or opposes a Federal candidate, but does not qualify as exempt party activity, this amount should be disclosed on Schedule B or F supporting Lines 23 or 25. 11 CFR §§104.3(b), 104.17(a) and 106.1

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

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) 694-1177.

Sincerely,



Corbin T. Jones

Senior Campaign Finance Analyst
Reports Analysis Division



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