



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

October 18, 2006

Mark Tondreau, Treasurer
Rhode Island Republic State Central Committee
413 Knight Street, Unit 101
Warwick, RI 02886

**Response Due Date:
November 20, 2006**

Identification Number: C00078196

Reference: Amended April Quarterly Report (1/1/06-3/31/06), received 4/18/06

Dear Mr. Tondreau:

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:

-Schedule A supporting Line 11(a)(i) of your report discloses receipts identified as "Contributions, Unitemized." Please be advised that federal regulations require the itemization of all contributions from individuals/persons that aggregate greater than \$200 in the calendar year. Contributions from individuals/persons that aggregate \$200 or less need only be disclosed on Line 11(a)(ii) of the Detailed Summary Page.

Please clarify whether the receipts disclosed on Schedule A includes any contributions that aggregate greater than \$200 from an individual/person in the calendar year. If this is the case, please amend your report by itemizing the contributions from each individual/person on Schedule A. 11 CFR §104.3(a)(2)

-Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "Payroll Taxes". 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

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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.

-Schedule H4 discloses 100% non-federal activity. Please be advised that by definition, this activity does not qualify as a shared expense(s) to be allocated between your federal and non-federal accounts. If the disbursements represent 100% federal operating expenditures, they should be itemized on Schedule B supporting Line 21(b) of the Detailed Summary Page. If your non-federal account paid for these expenses as 100% non-federal expenditures, they should not be disclosed on Schedule H4. Any reimbursement from your committee's non-federal account for any portion of this activity is not permissible and must be returned. 11 CFR §102.5(a)(1)(i) Please amend your report to clarify this discrepancy.

-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.

-Your report discloses limited payments for administrative expenses. Administrative expenses are payments made for the purpose of operating a political committee including, but not limited to, rent, utilities, salaries, telephone service, office equipment and supplies. Each state, district or local party committee utilizing separate federal and non-federal accounts is required to allocate any administrative expenses (excluding salary) between the accounts according to a fixed percentage selected on Schedule H1. A Schedule H1 must be filed with the first FEC FORM 3X filed at the

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beginning of each calendar year. Payments for salary and wages for employees who spend more than 25% of their compensated time on Federal election activities or on activities in connection with a Federal election must be made from a federal account and disclosed on a Schedule B supporting Line 30(b) of the Detailed Summary Page. 11 CFR §106.7

Any goods or services provided to your committee by a person, except volunteer activity (i.e., a person's time), would be considered an in-kind contribution from that person, and would be subject to the disclosure requirements of 2 U.S.C. §434(b)(3) and 11 CFR §104.13, and the limitations and prohibitions of 2 U.S.C. §§441a and 441b.

Clarification regarding administrative expenses should be provided during each two year election cycle beginning with the first report filed in the non-election year. Please provide the necessary information regarding administrative expenses incurred by your committee and/or amend your report to disclose such expenses according to the referenced provisions of the Act and Commission Regulations.

-Your report does not include a Schedule H1 to disclose the ratio for the allocation of certain costs. For State, District and Local party committees, Schedule H1 must be filed in the first report each calendar year that discloses an allocable disbursement and for Separate Segregated Funds and Non-connected committees, in each report that discloses an allocable disbursement for administrative expenses, generic voter drives or public communications that refer to any political party, but do not refer to any clearly identified candidates.

Further, for State, District and Local party committees, all shared administrative, generic voter drive and exempt activity costs incurred during the two-year cycle must be allocated according to the appropriate fixed ratio, unless the federal account elects to pay a higher percentage of its cost. For Separate Segregated Funds and Non-connected committees, administrative expenses, generic voter drive costs and expenses related to public communications referencing any political party committee (but no clearly identified candidates) must be allocated according to a 50% flat minimum federal percentage unless the federal account elects to pay a higher cost. 11 CFR §106.7(d)(2), (d)(3) and 11 CFR §§104.10(b)(1) and 106.6(c)

-Your report disclosed a category of financial activity that appears to have been reflected on the wrong schedule. All transfers received from a

committee's non-federal account for shared federal and non-federal activity must be itemized on Schedule H3 regardless of the amount transferred. 2 U.S.C. §434(b)(3)(D) Please clarify whether the transfers disclosed on Schedule A supporting Line 12 were the non-federal portion of shared expenses. If so, please amend your report to properly disclose the activity on Schedule H3 supporting Line 18.

-Please amend your report by providing the purpose for each disbursement itemized on Schedule(s) B and H4 supporting Line(s) 21(b), 21(a).

-Schedule H4 of your report discloses a voided or returned check(s) for an allocable expenditure(s) or reimbursement(s) made to an individual(s) during this or previous reporting periods where an adequate explanation has not been provided. Please clarify if and when this check(s) was reissued. If this check(s) was not reissued, please be advised that this may result in an in-kind contribution received by your committee from this individual(s) and should be reported on Schedules A and H4. Please amend your report to provide further clarification regarding this activity.

-Schedule H4 of your report discloses reimbursements to individuals for "Phone allowance" and "Telephone allowance." Please be advised that when itemizing reimbursements to individuals for goods or services, payment to the original vendors must be itemized as memo entries regardless of amount. Each memo entry must include the name and address of the original vendor, as well as the date, amount and purpose of the original purchase must be provided. Please amend your report to include the missing information and clearly identify on the Schedule H4, which reimbursement each memo entry relates to. 11 CFR §§104.10 and 104.17, and Advisory Opinions 1992-1 and 1996-20, footnote 3

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 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) 694-1140.

Sincerely,



Nisha Saspal
Campaign Finance Analyst
Reports Analysis Division

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