



Report of the Audit Division on the Minneapolis Saint Paul 2008 Host Committee, Inc.

April 19, 2007 – December 31, 2008

Why the Audit Was Done

The Commission audits each host committee or municipal fund that represents a city where a publicly financed nominating convention is held. The audit seeks to determine if the committee has materially complied with the prohibitions and disclosure requirements of the election law.¹

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

About the Committee (p. 2)

The Minneapolis Saint Paul 2008 Host Committee, Inc., headquartered in Saint Paul, Minnesota, is the committee responsible for hosting the 2008 Republican National Convention. For more information, see chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

- **Receipts**
 - Contributions to Defray Convention Expenses \$ 61,272,922
 - Refunds, Rebates, Returns of Deposits Relating to Convention Expenses 2,927,865
 - Other Receipts 1,093,775
 - **Total Receipts** \$ 65,294,562

- **Disbursements**
 - Convention Expenses \$ 58,733,160
 - Other Disbursements 1,089,830
 - **Total Disbursements** \$ 59,822,990

Finding and Recommendation (p. 3)

- Reporting of In-Kind Contributions

¹ 11 CFR §9008.54.

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Part I

Background

Authority for Audit

This report is based on an audit of the Minneapolis Saint Paul 2008 Host Committee, Inc., (MSPH), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9008.54 of Title 11 of the Code of Federal Regulations. That section states the Commission shall conduct an examination and audit of each host committee registered under 11 CFR §9008.51.

Scope of Audit

This audit examined:

1. The receipt of contributions from prohibited sources.
2. The disclosure of contributions and other receipts.
3. The disclosure and nature of disbursements.
4. The disclosure of debts and obligations.
5. The completeness of records.
6. The consistency between reported figures and bank records.
7. Other committee operations necessary to the review.

Inventory of Committee Records

The Audit staff routinely conducts an inventory of committee records before it begins the audit fieldwork. MSPH's records were materially complete and the fieldwork began immediately.

Part II

Overview of Committee

Committee Organization

| | |
|--------------------------------------------------------------------------------|---------------------------------------------------------|
| Important Dates | Minneapolis Saint Paul 2008 Host Committee, Inc. |
| • Date of Registration | January 26, 2007 |
| • Audit Coverage | April 19, 2007 – December 31, 2008 |
| Headquarters | Saint Paul, Minnesota |
| Bank Information | |
| • Bank Depositories | Two |
| • Bank Accounts | Four accounts – Three checking and one investment |
| Treasurer | |
| • Treasurer When Audit Was Conducted | Jeff Larson |
| • Treasurer During Period Covered by Audit | Jeff Larson |
| Management Information | |
| • Attended FEC Campaign Finance Seminar | No |
| • Used Commonly Available Campaign Management Software Package | No – Proprietary Software |
| • Who Handled Accounting, Recordkeeping Tasks, and Other Day-to-Day Operations | Paid Staff |

Overview of Financial Activity

(Audited Amounts)

| | |
|-------------------------------------------------------------------------|----------------------|
| Cash on hand @ April 19, 2007 | \$ 0 |
| Receipts | |
| ○ Contributions to Defray Convention Expenses | \$ 61,272,922 |
| ○ Refunds, Rebates, Returns of Deposits Relating to Convention Expenses | 2,927,865 |
| ○ Other Receipts | 1,093,775 |
| Total Receipts | \$ 65,294,562 |
| Disbursements | |
| ○ Convention Expenses | \$ 58,733,160 |
| ○ Other Disbursements | 1,089,830 |
| Total Disbursements | \$ 59,822,990 |
| Cash on hand @ December 31, 2008 | \$ 5,471,572 |

Part III

Summary

Finding and Recommendation

Reporting of In-Kind Contributions

The Audit staff identified seven in-kind contributions totaling \$2,834,169 that were not initially reported by MSPH; but were disclosed as memo entries on amended reports filed subsequent to receipt of the audit notification letter. In addition, in-kind contributions totaling \$11,264,277, which includes the \$2,834,169 discussed above, were disclosed as memo entries and were not included in reported totals for receipts and disbursements. MSPH has amended its reports to correct these reporting errors. In response to the preliminary audit report, MSPH stated it has materially complied with the disclosure requirements for in-kind contributions as well as all of the Audit staff's recommendations and that no further action should be taken. (For more detail, see p. 4)

Part IV

Finding and Recommendation

Reporting of In-Kind Contributions

Summary

The Audit staff identified seven in-kind contributions totaling \$2,834,169 that were not initially reported by MSPH; but were disclosed as memo entries on amended reports filed subsequent to receipt of the audit notification letter. In addition, in-kind contributions totaling \$11,264,277, which includes the \$2,834,169 discussed above, were disclosed as memo entries and were not included in reported totals for receipts and disbursements. MSPH has amended its reports to correct these reporting errors. In response to the preliminary audit report, MSPH stated it has materially complied with the disclosure requirements for in-kind contributions as well as all of the Audit staff's recommendations and that no further action should be taken.

Legal Standard

Contents of Reports. Each report must disclose:

- The amount of cash on hand at the beginning and end of the reporting period;
- The total amount of receipts for the reporting period and for the calendar year;
- The total amount of disbursements for the reporting period and for the calendar year; and
- Certain transactions that require itemization on Schedule A (Itemized Receipts), Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2), (3) and (4).
- In addition, each in-kind contribution shall be reported as a contribution and an expenditure in accordance with 11 CFR §104.3(a) and (b).

Facts and Analysis

As a result of our review of all in-kind contributions, the Audit staff identified seven in-kind contributions, totaling \$2,834,169, which had not been included in reported totals, nor disclosed on Schedule A and Schedule B, as required. MSPH amended its report on February 11, 2009, subsequent to receipt of the audit notification letter but prior to the start of audit fieldwork. This amended report materially disclosed on Schedule A and Schedule B the omitted in-kind contributions as memo entries. In a response submitted subsequent to the exit conference, MSPH representatives stated that the amended report was self initiated based upon its internal due diligence which encompassed an ongoing review of documentation in an effort to fully and accurately comply with its disclosure responsibilities. In addition, in-kind contributions totaling \$11,264,277, which includes the \$2,834,169 discussed above, were disclosed as memo entries on Schedule A and Schedule B but were not included in reported totals for receipts and disbursements.

The Audit staff recommended at the exit conference that MSPH amend its reports to include all in-kind contributions (\$11,264,277) in reported receipt and disbursement totals and not as memo entries. MSPH complied with the Audit staff's recommendation by filing amended reports on April 13, 2009, (October Post Convention Report) and April 15, 2009, (Year End

Report). The amended reports accurately include the in-kind contributions in reported totals for receipts and disbursements and properly itemize them on Schedule A and Schedule B.

In addition, MSPH's response stated that it believed it had satisfied the Audit staff's post-field work inquiries and has filed the appropriate amendments to its Federal Election Commission reports.

Preliminary Audit Report Recommendation and Committee Response

The Audit staff recommended that MSPH provide any further comments it considered relevant to this matter.

MSPH's response stated that of the seven in-kind contributions (\$2,834,169) identified by the Audit staff as not being reported, four of those donors were in fact timely reported, accurately reporting the goods and services provided by those donors. MSPH noted that an important factor to consider is that the post convention report was required to be expedited under 11 CFR §9008.51(b)(1) due to the timing of the convention itself. Based upon additional information later obtained by MSPH, the valuation for each of these four contributions was modified and disclosed on an amended report filed February 11, 2009 to accurately reflect the value of these donations. These amendments were self initiated and reflected the due diligence by MSPH to conduct its own internal review and final accounting which included its effort to determine the total actual value of these in-kind contributions. The response continued that it is important to note that these in-kind contributions were not received as one distinct and single transaction but were the result of multiple transactions over an extended period of time. The remaining three in-kind contributions were disclosed by amended report filed April, 2009.

With regard to the initial disclosure of in-kind contributions as memo entries, MSHP believed it had materially satisfied its reporting obligation. These contributions were readily identified as in-kind contributions and did not artificially inflate reported totals. In its effort to be fully cooperative and to be fully transparent, MSPH complied with the Audit staff's recommendation.

MSHP's response concluded that it had materially complied with its disclosure requirements in reporting in-kind contributions, had complied with all of the Audit staff's recommendations and suggested that no further action should be taken.

The Audit staff concurs that MSHP has materially complied with the Audit staff's recommendation.