

election committee must include a breakdown of the estimated winding down costs listed on the NOQCE statement by category and time period. The committee must provide estimates of quarterly or monthly expenses from the date of the NOQCE statement until the expected termination of the committee's political activity. These estimates must be broken down into amounts for office space rental, staff salaries, legal expenses, accounting expenses, office supplies, equipment rental, telephone expenses, postage and other mailing costs, printing, and storage.

Requiring this breakdown will assist the Commission in ensuring that public funds are used only for qualified campaign expenses. It will also ensure that candidates who are eligible for post-election funding receive the amount to which they are entitled.

The Commission is also amending paragraph (d)(1) of this section to provide for a straight 40% depreciation of capital assets that committees include on their post-election statements of net outstanding qualified campaign expenses. Previously, committees could claim a higher depreciation under certain circumstances. This amendment conforms to the Commission's policy of adopting "bright line" rules where feasible throughout the public funding process. The changes to this section generally follow those to 11 CFR 9034.5(c)(1), discussed below.

Part 9006—Reports and Recordkeeping

Section 9006.3 Alphabetized Schedules

The final rules include new section 9006.3, which requires that presidential campaign committee reports containing schedules generated from computerized files list in alphabetical order the sources of the receipts, the payees and creditors. For individuals, including contributors, the list must be in alphabetical order by surname. However, presidential campaign committees are not required to computerize their records if they do not wish to do so. The new provision is intended to remedy situations in which, for example, committees maintain computerized records of contributors in alphabetical order, but file schedules with the order of the names scrambled. That practice makes it very difficult, if not impossible, to locate particular names on the committee's reports if the schedules are voluminous, thereby thwarting the public disclosure purposes of the FECA and making it more difficult to monitor compliance. Alphabetization of lists of contributors

is required for contributions to minor and new party candidates. Lists of contributors to the GELAC must also be alphabetized. In the event of a deficiency in the Presidential Election Campaign Fund, where private contributions may be accepted by major party candidates, alphabetical lists of contributors are also required. Unless there is a deficiency in the Fund, major party candidate who accept public funding for the general election may not accept private contributions.

There was no consensus among the witnesses and commenters on this proposal. While some supported it because it furthers full public disclosure, others opposed it on the grounds that it could increase computer costs and increase reliance on computer-driven accounting systems. The Commission notes that committees able to demonstrate such increased computer costs may claim a higher exemption for compliance expenses. One witness stated that accounting software does not currently alphabetize disbursements, debts or obligations, and suggested that committees indicate on their reports whether disbursements are listed by date of invoice, check number or date of payment. However, Commission inquiries indicate that commercial spreadsheet packages sort data in many different ways, including alphabetically. Given that most presidential campaigns use a variation of commercially available software, it should not be difficult for them to use standard database management software to alphabetize the information included on disclosure reports.

Part 9007—Examinations and Audits; Repayments

Section 9007.1 Audits

Further Streamlining the Audit Process

As noted in the NPRM, the Commission took several actions in the 1990–91 review of the public funding rules that have substantially shortened the audit process. These included easing compliance with the state-by-state allocation rules set forth at 11 CFR 106.2, and clarifying the use of subpoenas in presidential audits. See 56 FR 35899–900, 35903–04 (July 29, 1991).

The NPRM sought comments on other changes that might further streamline this process. These included publicly releasing the Interim Audit Report ("IAR"), moving up the committee's oral presentation to some earlier point in the process, and compressing or eliminating some stages of the process.

Most of the commenters who addressed this issue opposed further

changes to the audit process at this time. They noted that, in part because of changes in the last cycle, the Commission was able to approve all Final Audit Reports for the 1992 presidential elections substantially faster than in earlier cycles. They also noted that issues tend to fall away as the process continues, and argued that the size of the audits and the number of issues involved justify the length of the current process.

Nevertheless, the Commission believes that it is appropriate to further condense the audit process. This will result in more timely audits and a more efficient use of Commission and committee resources.

Accordingly, the Commission is compressing the audit process by eliminating the current IAR. Briefly, the revised process entails an expanded exit conference, including a written Exit Conference Memorandum ("ECM") prepared by Commission staff and presented to the committee at the exit conference; an opportunity for the committee to respond to the ECM; an audit report that contains the Commission's repayment determination; the opportunity for an administrative review of that determination, including the opportunity to request an oral hearing; and a post-review repayment determination and accompanying statement of reasons. These stages are discussed in greater detail below.

Former 11 CFR 9007.1(b)(2)(iii) provided for an exit conference at which Commission staff discussed preliminary findings and recommendations with committee representatives. The revised paragraph states that Commission staff will in addition prepare a written ECM that discusses these findings and recommendations, and provide a copy of the ECM to committee representatives at the exit conference. The listing of potential subjects to be addressed at the exit conference includes those formerly listed with regard to the IAR, but deletes references to Commission findings and enforcement actions, as the Commission will not have made any findings or instituted any enforcement actions at this point of the process.

Revised paragraph (c) gives the candidate and his or her authorized committee 60 calendar days following the exit conference to submit in writing legal and factual materials disputing or commenting on the findings presented in the ECM. The candidate should also provide any additional documentation requested by Commission staff during this period. The language in former 11 CFR 9007.1(c) regarding preparation of an IAR has been deleted, as the IAR is no longer part of the audit process.