

REPORTS ANALYSIS REFERRAL

TO

OFFICE OF GENERAL COUNSEL

DATE: July 19, 2005

ANALYST: Christopher Whyrick

I. COMMITTEE: Kalyn Free for Congress
C00372524
Loyce Bell, Treasurer
200 East Carl Albert Parkway #4
McAlester, OK 74501

II. RELEVANT STATUTE: 11 CFR §113.1(g)(1)(i)(I)

III. BACKGROUND:

Personal Use of Campaign Funds (Salary Payments to Candidate)

Kalyn Free for Congress ("The Committee") disbursed salary payments to Ms. Kalyn Free ("The Candidate") on September 29, 2004 in the amounts of \$35,000 and \$15,000. The Candidate lost the 2004 Primary Election and was not on the ballot for the 2004 General Election. Thus, Ms. Free was not entitled to receive salary payments after the July 27, 2004 Oklahoma Primary Election.

On October 15, 2004, the Committee filed a 2004 October Quarterly Report. Schedule B (Itemized Disbursements) of the report disclosed disbursements to the Candidate in the amounts of \$35,000 and \$15,000 on September 29, 2004. The purpose of both disbursements indicated on the report was "Salary" (Image 24971678277). Schedule D (Debts and Obligations) of the report highlighted a debt incurred and payment made by the Committee during the October reporting period in the amount of \$50,000 to Kalyn Free. The nature of the debt was listed as "Salary" (Image 24971678312).

On February 24, 2005, a Request for Additional Information (RFAI) was sent to the Committee referencing the 2004 October Quarterly Report (Image 25038742168). Among other discrepancies, the RFAI noted "if a candidate loses in the primary election and is not participating in the general election, they may not continue to receive salary payments after the date of the primary." The RFAI requested that the Committee seek reimbursement for the full amount of the

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personal use violations from the Candidate and notify the Commission of such a reimbursement (Image 25038742169).

On March 28, 2005 at 16:32, the Committee filed a Miscellaneous Document in response to the February 24, 2005 RFAI referencing the 2004 October Quarterly Report. The e-text attachment disclosed, among other matters, the following statement concerning the Candidate salary payments: "...Ms. Free was under the belief that salary could begin to accrue when she filed her statement of Candidacy in October, 2004. In the case of Ms. Free's district, the ballot qualification period ended on June 9, 2004. The primary date was on July 27, 2004. This allowed for salary payments to be paid to Ms. Free for only 7 weeks of her campaign. Of course, Ms. Free began campaigning for her election almost one year before the primary election date." The attachment goes on to state that the Candidate was entitled to \$21,000 in salary payments on a pro-rata basis (from the date of the ballot qualification period of June 9, 2004 through the Primary date of July 27, 2004) and that a further review of Ms. Free's records indicated that the Committee was indebted \$14,658.53 to her for "un-reimbursed expenses that were never received by Ms. Free." Finally, the attachment indicated that the remaining balance of \$14,341.47 would be refunded to the Committee by the Candidate once sufficient funds were available (Images 25990313656 and 25990313657).

Also on March 28, 2005 at 17:35, the Committee filed an Amended 2004 October Quarterly Report. Schedule B (Itemized Disbursements) of the report disclosed disbursements to the Candidate in the amounts of \$35,000 and \$15,000 on September 29, 2004. The purpose of the disbursements indicated on the report was "Salary" for the disbursement of \$35,000 and "Salary Overpayment" for the \$15,000 disbursement (Image 25990329187). Schedule D (Debts and Obligations) disclosed two debts during the reporting period. The first debt highlighted a debt owed to the Committee of \$14,341.37, a payment of \$0 and an outstanding balance of \$14,341.37 for the October reporting period. The nature this debt was highlighted as an "Overpayment on salary" (Image 25990329222). The second debt disclosed a debt owed by the Committee of \$21,000, a payment of \$35,000 and an outstanding balance of a negative -\$14,000 for the reporting period. The purpose of the second debt was disclosed as "Salary" on the amended report (Image 25990329223).

On April 12, 2005, the RAD Analyst called and left a message for Loyce Bell, the Committee's Treasurer, stating that there was an outstanding issue on the Committee's 2004 October Quarterly Report that needed to be addressed concerning the Candidate's misuse of campaign funds for salary payment purposes after Ms. Free lost the 2004 Primary Election. The Analyst indicated that the matter would be referred to the Commission's Office of General Counsel (OGC) (Attachment 2).

On April 13, 2005, the RAD Analyst called and left a message for the Candidate describing the outstanding issue on the Committee's 2004 October Quarterly Report that needed to be addressed. The Analyst again indicated that

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matter would have to be referred to the Commission's Office of General Counsel (Attachment 3).

On April 14, 2005, the Committee filed a 2005 April Quarterly Report. Schedule D (Debts and Obligations) of the report highlighted a debt with an outstanding balance of \$14,341.37. The report indicated a payment during the period of \$0 and an outstanding balance of \$14,341.37 for the October reporting period. The nature of this debt was annotated as an "Overpayment on salary" (Image 25970242278).

On April 18, 2005, Mr. Phillippe Beaudette, the new Finance Director of the Committee, called and spoke with the RAD Analyst in reference to the outstanding matter concerning the Candidate's misuse of campaign funds for salary payment purposes. Mr. Beaudette stated that the Committee received direction from a consultant, Neil Reiff, who had felt that the Committee's e-text attachment of March 28, 2005 was an adequate response. Mr. Reiff also stated that the Committee should not be required to take any additional action other than refunding the \$14,341.47 salary overpayment. The RAD Analyst informed Mr. Beaudette that the Committee had not provided the documentation to support his assessment of the situation and that the referral would go forward as planned to OGC (Attachment 4).

On May 27, 2005, the RAD Analyst and Assistant Branch Chief placed a teleconference call to Phillippe Beaudette, the Finance Director of the Committee. During the call, the Analyst stated that the Committee had responded inadequately to the February 24, 2005, RFAI questioning the 2004 October Quarterly Report and that an additional response was warranted. Specifically it was noted, that the Committee failed to amend its reports to disclose the debt allegedly owed to Ms. Free; nor did the Committee provide any evidence that an obligation to pay the Candidate a salary existed prior to July 27, 2004. Mr. Beaudette replied that the Committee was not aware of the infraction at the time of the salary payments, and would do a thorough audit of the situation and respond accordingly. The RAD Assistant Branch Chief informed Mr. Beaudette that the Committee would be allowed another week in which to submit an acceptable response (Attachment 5).

On June 2, 2005, the Committee filed a Miscellaneous Document in what appears to be a response to the May 27, 2005 phone call with RAD. Mr. Dave Parker, the former Campaign Manager of the Committee, stated in the e-text attachment the following: "It is my understanding that you have requested documentation regarding Kalyn Free's campaign for United States Congress." The attachment went on to explain that it had always been the intention of the committee to pay Ms. Free a salary and that a conversation took place shortly after May 2004 in which an oral agreement was made between Mr. Parker and Ms. Free indicating that the Committee would pay the Candidate a salary of \$50,000. Mr. Parker noted that because of the Commission's current interpretation of the rule, we have reduced the salary payment to \$21,000. Mr. Parker also specified that the Candidate made a \$4,000 payment to the Committee on May 31, 2005 leaving a remaining debt owed to the Committee of \$10,341.47.

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On July 15, 2005, the Committee filed a 2005 July Quarterly Report. Schedule A (Itemized Receipts) of the report disclosed a receipt from "Kalyn Free" in the amount of \$4000.00 on May 31, 2005 with no description for the transaction (Image 25991031863). Schedule D (Debts and Obligations) highlighted a debt with an outstanding balance of \$14,341.37. The report indicated a payment during the period of \$0 and an outstanding balance of \$14,341.37 for the October reporting period. The nature of this debt was annotated as an "Overpayment on salary" (Image 25991031872).

To date, no further communication has been received from the Committee regarding these matters.

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REE, KALYN CHERIE

ID #H20K03057

KALYN FREE FOR CONGRESS

Joyce Bell
 BILLING FREQUENCY: QUARTERLY

200 East Carl Albert Parkway #4 McAlester

HOUSE
 OK 74501

ID #C00372524

FORM	TYPE	RPT TYPE	AI	PGI	REC DATE	PGS	BEG IMAGE	COVERAGE DATES	BEG CASH	RECEIPTS	DISBURSE	END CASH	DEBTS BY
1				A	10/16/2003	4	23982152592						
NS				T	9/25/2003	3	23038210251						
NS				4	7/10/2004	2	24981750995						
NS				4	7/12/2004	2	24971314208						
NS				4	7/15/2004	2	24981838813						
NS				4	7/15/2004	2	24981220219						
NS				4	7/15/2004	2	24981852171						
NS				4	7/16/2004	2	24971341028						
NS				4	7/18/2004	2	24981883809						
NS				4	7/19/2004	2	24981888598						
NS				4	7/20/2004	2	24971348584						
NS				4	7/21/2004	2	24981973344						
NS				4	7/21/2004	2	24981974453						
NS				4	7/22/2004	2	24981977125						
NS				4	7/23/2004	2	24982002157						
NS				4	7/23/2004	2	24982003858						
RB		12P		2	7/27/2004	3	24038482418	4/01/2004 7/07/2004					
RB		Q3		2	2/24/2005	5	25038742168	7/08/2004 9/30/2004					
3	Q1	N	P		4/04/2003	11	23990857052	1/01/2003 3/31/2003	33897	194	8837	25454	0
3	Q1	A	P		4/07/2003	11	23990862234	1/01/2003 3/31/2003	33897	194	8432	25680	0
3	Q1	A	P		10/16/2003	14	23982082009	1/01/2003 3/31/2003	37779	457	8780	28457	0
3	Q2	N	P		7/07/2003	14	23981254791	4/01/2003 6/30/2003	25660	708	6479	18890	0
3	Q2	A	P		10/15/2003	18	23982082510	4/01/2003 6/30/2003	28457	734	6508	23685	0
3	Q3	N	P		10/15/2003	13	23982083078	7/01/2003 9/30/2003	23685	325	5949	18081	0
3	YE	N	P		1/30/2004	93	24980327288	10/01/2003 12/31/2003	18081	154834	23973	148921	0
3	Q1	N	P		4/15/2004	142	24981082898	1/01/2004 3/31/2004	148921	201650	90318	280155	0
3	12P	N	P		7/15/2004	351	24981859275	4/01/2004 7/07/2004	280155	475188	584363	170958	0

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ID #H20K03057

ALYN FREE FOR CONGRESS
oyce Bell
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ORN	TYPE	RPT	TYPE	AI	PGI	REC	DATE	PGS	BEG	IMAGE	COVERAGE	DATES	BEG	CASH	RECEIPTS	DISBURSE	END	CASH	DEBTS	BY
3		12P		A	P	9/02/2004	349	24971421696	4/01/2004	7/07/2004	280155	475166	584249	171072	0					
3		12P		A	P	10/15/2004	366	24982475892	4/01/2004	7/07/2004	280155	490074	584249	185980	0					
3		Q3		N	P	10/15/2004	253	24971878060	7/08/2004	9/30/2004	185980	425027	591805	19202	0					
3		Q3		A	P	3/28/2005	254	25990328970	7/08/2004	9/30/2004	185980	424952	582348	18584	14000-					
3		Q3		A		4/28/2005	12	25038802097	7/08/2004	9/30/2004	-	-	-	-	-					
3		YE		N	P	1/10/2005	25	25980108075	10/01/2004	12/31/2004	19202	91	16784	2509	0					
3		YE		A	P	3/28/2005	26	25990328234	10/01/2004	12/31/2004	18584	91	16784	1891	0					
													TOTAL	1273017	1308905					

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oyce Bell

ILING FREQUENCY: QUARTERLY

ORN	TYPE	RPT	TYPE	AI	PGI	REC DATE	PGS	BEG	IMAGE	COVERAGE DATES	BEG CASH	RECEIPTS	DISBURSE	END CASH	DEBTS BY
MS					T	3/28/2005	3	25990313655							
MS					T	6/02/2005	2	25990985656							
MS					T	7/06/2005	1	25970519502							
3		Q1		N	P	4/14/2005	20	25970242259		1/01/2005 3/31/2005	1891	19820	12678	9033	0
3		Q2		N	P	7/15/2005	18	25991031859		4/01/2005 6/30/2005	9033	4000	10522	2510	12000
TOTAL												23820	23200		

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