



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 16, 2002

MEMORANDUM

TO: Ron M. Harris
Press Officer
Press Office

FROM: Joseph F. Stoltz *JFS*
Assistant Staff Director
Audit Division

SUBJECT: Public Issuance of the Final Audit Report on Democrat Republican
Independent Voter Education

Attached please find a copy of the final audit report and related documents on Democrat Republican Independent Voter Education that was approved by the Commission on October 4, 2002.

Informational copies of the report have been received by all parties involved and the report may be released to the public on October 16, 2002.

Attachment as stated

cc: Office of General Counsel
Office of Public Disclosure
Reports Analysis Division
FEC Library



REPORT OF THE AUDIT DIVISION
ON
DEMOCRAT REPUBLICAN
INDEPENDENT VOTER EDUCATION

Approved on October 4, 2002



FEDERAL ELECTION COMMISSION
999 E STREET, N.W.
WASHINGTON, D.C.

DEMOCRAT REPUBLICAN INDEPENDENT VOTER EDUCATION

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

DEMOCRAT REPUBLICAN INDEPENDENT VOTER EDUCATION EXECUTIVE SUMMARY

Democrat Republican Independent Voter Education (DRIVE) registered with the Clerk of the House of Representatives on April 17, 1972. It is the separate segregated fund of the International Brotherhood of Teamsters.

The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The audit findings summarized below were presented to DRIVE at the completion of fieldwork on June 11, 2002 and later in the interim audit report. DRIVE's responses to the findings are contained in the audit report.

FAILURE TO MAINTAIN CONTRIBUTOR AUTHORIZATIONS - 11 CFR §104.14(b)(1). DRIVE failed to maintain written contributor authorizations for approximately 12% of its contributors. The majority of DRIVE's contributions are received through payroll deduction.

In response to the interim audit report, DRIVE representatives provided most of the missing contributor authorizations to correct this matter, and stated that it has instituted specific filing and flagging procedures to ensure that all contributor authorizations are properly maintained, which includes the use of electronic imaging of contributor authorization cards.

DISCLOSURE OF RECEIPTS - 11 CFR §§104.3(a)(4)(i) and (v), 100.12. DRIVE did not itemize approximately 15% of total contributions from individuals that required itemization. In addition, 12% of the itemized contributions from individuals were disclosed with incorrect aggregate year-to-date amounts. Finally, DRIVE received refunds totaling \$13,250 that were disclosed as from Amalgamated Bank rather than the name of the committees making the refunds.

In response to the interim audit report, DRIVE representatives filed amended Schedules A which corrected the problems noted above, and stated that it has instituted changes in its accounting procedures to ensure that DRIVE will contact contributors to obtain required information when contributions are received without accompanying contributor detail.

DISCLOSURE OF DEBTS AND OBLIGATIONS - 11 CFR §§104.11(a) and (b). DRIVE failed to disclose debts to 11 vendors that totaled \$224,303. No Schedules D were filed to disclose debts owed by DRIVE during the audit period. Subsequent to the exit conference, DRIVE representatives filed amended Summary Pages and Schedules D that corrected the disclosure of debts and obligations. In the interim audit report, the Audit staff recommended no further action.



***REPORT OF THE AUDIT DIVISION
ON
DEMOCRAT REPUBLICAN INDEPENDENT VOTER EDUCATION***

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of Democrat Republican Independent Voter Education (DRIVE), the separate segregated fund of the International Brotherhood of Teamsters, undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended (the Act). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under Section 434 of this title. Prior to conducting any audit under this subsection, the Commission shall perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act.

B. AUDIT COVERAGE

The audit covered the period January 1, 1999 through December 31, 2000. During this period, DRIVE reported a beginning cash balance of \$400,564; total receipts for the period of \$9,126,040; total disbursements for the period of \$9,000,574; and an ending cash balance of \$526,030.

C. COMMITTEE ORGANIZATION

DRIVE registered with the Clerk of the House of Representatives on April 17, 1972. At the beginning of the audit period, Tom Sever was its Treasurer. On March 30, 1999, he was succeeded by C. Thomas Keegel. Mr. Keegel continues as Treasurer. DRIVE maintains its headquarters in Washington, D.C. and it achieved multi-candidate status on April 30, 1975.

To manage its financial activity, DRIVE used five federal bank accounts along with a non-federal education and legislative account. From the federal accounts, DRIVE made approximately 3,500 disbursements totaling \$8,999,600¹. DRIVE received contributions from individuals totaling \$7,886,323, the majority of which were received through payroll deduction, a bank loan of \$1,000,000, transfers from affiliated committees totaling \$105,364, interest from investment and savings accounts of \$84,780, refunds of contributions made to candidates and committees of \$26,662, and offsets to operating expenditures of \$19,634. DRIVE utilized common accounting software and campaign management software to prepare and file its reports. Accounting, recordkeeping and reporting functions were performed by paid staff, one member of which attended a Commission seminar.

D. AUDIT SCOPE AND PROCEDURES

The audit included testing of the following general categories:

1. the receipt of contributions or loans in excess of the statutory limitations;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as the completeness and accuracy of the information disclosed (see Finding II.B.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as the completeness and accuracy of the information disclosed;
5. proper disclosure of debts and obligations, including loans (see Finding II.C.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records;
7. adequate recordkeeping for all transactions (see Finding II.A.); and
8. other audit procedures that were deemed necessary in the situation.

As part of the Commission's standard audit process, an inventory of DRIVE records was conducted prior to the audit fieldwork to determine if its records were materially complete and in an auditable state. Based on our review of the records

¹ The Audit staff noted minor discrepancies between bank activity and reported activity for both disbursements and receipts.

presented, it was concluded that they were materially complete and fieldwork began immediately. Unless specifically discussed below, no material non-compliance with statutory or regulatory requirements was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

II. AUDIT FINDINGS AND RECOMMENDATIONS

A. FAILURE TO MAINTAIN CONTRIBUTOR AUTHORIZATIONS

Section 104.14(b)(1) of Title 11 of the Code of Federal Regulations states that each political committee required to file any report or statement under this subchapter shall maintain records, including bank records, with respect to the matters required to be reported, including vouchers, worksheets, receipts, bills and accounts, which shall provide in sufficient detail the necessary information and data from which the filed reports and statements may be verified, explained, clarified, and checked for accuracy and completeness.

Sample reviews of contributions from individuals revealed that DRIVE was missing contributor authorizations for approximately 39% of its contributors. The contributor authorization cards are the members' written authorizations to have contributions deducted from their payroll check. DRIVE files its contributor authorization cards first in numerical order by union local. Then, within each local, the cards are sorted alphabetically by employer name. Finally, within each company, the cards are sorted alphabetically by member name. DRIVE does not require new contributor authorization cards whenever a member changes union local or employer. It updates this information on its database.

It appears that the missing authorizations could have resulted from misplaced cards, cards not filed, or cards that were not moved to the new file location for members who have either changed their union local or employer. The lack of a complete set of contributor authorization cards resulted in the Audit staff being unable to verify that some contributions were permissibly received, to determine the quality of the data entry of DRIVE's receipts database, and to fully test the disclosure of information on the reports filed with the Commission.

During fieldwork, DRIVE took action to correct this problem. DRIVE contacted its local affiliates and had them fax their copies of the contributor authorizations. Local union affiliates have also sent new contributor authorization cards to DRIVE to replace those that were missing. Also, DRIVE representatives were also able to locate some of the missing contributor authorizations of members that were filed by their previous employer or local. These efforts by DRIVE reduced the error rate to approximately 12%.

This matter was discussed with DRIVE representatives at the exit conference. DRIVE representatives stated that they would continue working to resolve this matter.

In the interim audit report, the Audit staff recommended that DRIVE either locate the missing contributor authorizations and provide them to the Audit staff, or demonstrate that it has identified all contributors for which a contributor authorization is not available, and has obtained for its files a contributor authorization for each contributor. Further, it was recommended that DRIVE re-evaluate its filing system and describe changes to be made to address this problem.

In response to the interim audit report, DRIVE was able to locate and provide for our review most of its missing contributor authorizations. Further, DRIVE's response stated that it has instituted procedures to ensure that all contributor authorizations are properly maintained, including the use of electronic imaging of contributor authorization cards and specific filing and flagging procedures to ensure that each contributor has on file an up to date and complete authorization card.

B. DISCLOSURE OF RECEIPTS

Section 104.3(a)(4)(i) of Title 11 of the Code of Federal Regulations states, in relevant part, that the identification of each contributor and the aggregate year-to-date total for such contributor shall be reported for each person who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions aggregate in excess of \$200 per calendar year, together with the date of receipt and amount of any such contributions.

Section 104.3(a)(4)(v) of Title 11 of the Code of Federal Regulations states, in relevant part, that the identification of each contributor and the aggregate year-to-date total for such contributor shall be reported for each person who provides a refund to the reporting committee in an aggregate amount in excess of \$200 within the calendar year, together with the date and amount of any such receipt.

Section 100.12 of Title 11 of the Code of Federal Regulations defines *identification*, in the case of an individual, as his or her full name, including: First name, middle name or initial, if available, and last name; mailing address; occupation; and the name of his or her employer; and, in the case of any other person, the person's full name and address.

1. Reporting of Contributions from Individuals

The Audit staff reviewed all contributions from individuals requiring itemization and determined that DRIVE did not itemize \$24,618, or approximately 15% of the \$163,512 total contributions that required itemization.

In addition, for \$16,062, or approximately 12% of the \$138,894 in contributions from individuals that were itemized, DRIVE incorrectly disclosed the aggregate-year-to-date amount.

These errors appear to have resulted primarily from the following. DRIVE did not itemize some contributions in which the wording "Batch Import Receipt On 'Date'" was entered in the comment column on its receipts database. Further, some contributions with such a comment were excluded from aggregate totals for contributors, causing additional itemization errors as well as disclosure errors. It appears that the checks from the local unions and companies transmitting these contributions were not accompanied by detailed contributor information. The missing detail was apparently submitted after the affected disclosure reports were prepared and, although the information was entered into the database, DRIVE's disclosure reports were not amended². In addition, DRIVE did not disclose any contribution that was required to be itemized which had been deposited on either August 10 or December 15, 2000. Further, the amounts of these contributions were not included in the aggregate year-to-date totals for those contributors requiring itemization.

2. Disclosure of Refunds of Contributions Made to Federal Candidates and Other Political Committees

DRIVE received five refunds totaling \$13,250 that were disclosed as Amalgamated Bank rather than the name of the committees making the refund.

At the exit conference, the Audit staff advised DRIVE representatives of the above matters and provided schedules that detailed the disclosure errors. DRIVE's representatives could offer no explanation for these disclosure errors.

In the interim audit report, the Audit staff recommended that DRIVE file amended Schedules A (Itemized Receipts) by reporting period to correct the itemization and disclosure problems noted above. Further, it was recommended that DRIVE describe changes it has made to obtain and disclose contributions that are received without the accompanying contributor detail.

In response to the interim audit report, DRIVE filed amended Schedules A to correct the itemization and disclosure problems. Further, DRIVE stated that it has instituted changes in its accounting procedures to ensure that DRIVE will contact contributors to obtain required information for contributions received without accompanying contributor detail.

² DRIVE apparently disclosed all contributions submitted without detail as unitemized on its disclosure reports.

C. DISCLOSURE OF DEBTS AND OBLIGATIONS

Sections 104.11(a) and (b) of Title 11 of the Code of Federal Regulations state, in relevant part, that debts and obligations owed by a political committee which remain outstanding shall be continuously reported until extinguished. A debt or obligation, the amount of which is \$500 or less, shall be reported as of the time payment is made or not later than 60 days after such obligation is incurred, whichever comes first. A debt or obligation, the amount of which is over \$500 shall be reported as of the date on which the debt or obligation is incurred, except that any obligation incurred for rent, salary or other regularly reoccurring administrative expense shall not be reported as a debt before the payment due date.

The review of debts and obligations incurred during the audit period revealed that DRIVE failed to disclose debts to 11 vendors that totaled \$224,303. No Schedules D (Debts and Obligations) were filed to disclose debts owed by DRIVE during the audit period. The vendors provided such services as legal, telemarketing, and promotions. Most of the debts were outstanding for one or more reporting periods from the date that they were incurred. From the documentation that was available, debts totaling \$50,916 remained outstanding as of December 31, 2000. These outstanding debts were all paid during 2001.

At the exit conference, this matter was discussed with DRIVE representatives and a schedule detailing the debt errors was provided. DRIVE representatives stated that they would file Schedules D and amended Summary Pages.

Subsequent to the exit conference, DRIVE filed amended Summary Pages and Schedules D that corrected the disclosure of debts and obligations. In the interim audit report, the Audit staff recommended no further action.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 8, 2002

Mr. C. Thomas Keegel, Treasurer
Democrat Republican Independent Voter Education
25 Louisiana Avenue, N.W.
Washington, DC 20001

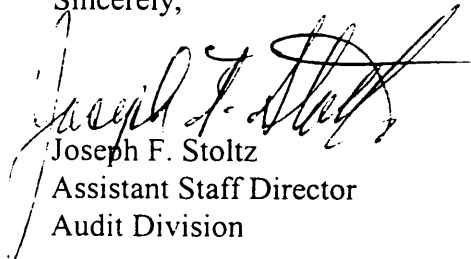
Dear Mr. Keegel:

Attached, please find the Report of the Audit Division on Democrat Republican Independent Voter Education. The Commission approved this report on October 4, 2002.

The Commission approved Final Audit Report will be placed on the public record on October 14, 2002. Should you have any questions regarding the public release of this report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you may have related to matters covered during the audit or in the report should be directed to Bill Antosz or Alex Boniewicz of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,



Joseph F. Stoltz
Assistant Staff Director
Audit Division

Attachment as stated

cc: Cory Rubin, Counsel for DRIVE

DEMOCRAT REPUBLICAN INDEPENDENT VOTER EDUCATION

CHRONOLOGY

Audit Fieldwork	April 15, 2002 – June 11, 2002
Interim Audit Report to Committee	August 5, 2002
Response Received to the Interim Audit Report	September 23, 2002
Final Audit Report Approved	October 4, 2002

