



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

September 30, 2004

MEMORANDUM

TO: ROBERT W. BIERSACK  
PRESS OFFICER  
PRESS OFFICE

FROM: JOSEPH F. STOLTZ   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON THE  
INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, AFL-CIO  
COMMITTEE ON POLITICAL EDUCATION ILA-COPE (A01-48)

Attached please find a copy of the audit report on the International Longshoremen's Association, AFL-CIO Committee on Political Education ILA-COPE (A01-48), which was approved by the Commission on September 27, 2004.

The report may be released to the public on September 30, 2004.

Attachment as stated

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



# Report of the Audit Division on the International Longshoremen's Association AFL-CIO Committee on Political Education ILA-COPE

January 1, 1999 – December 31, 2000

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## Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## 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 International Longshoremen's Association AFL-CIO Committee on Political Education ILA-COPE is a separate segregated fund of a labor union headquartered in New York, NY. For more information, see chart on the Committee Organization, p. 2.

## Financial Activity (p. 2)

- **Receipts**
  - Contributions from Individuals \$ 1,232,981
  - Other Receipts 498,376
  - Refunds 2,000
  - **Total Receipts** \$ 1,733,357
  
- **Disbursements**
  - Contributions to Federal Candidates and Other Political Committees \$ 697,625
  - Other Disbursements 797,269
  - Operating Expenditures 122,926
  - Refunds 1,000
  - **Total Disbursements** \$ 1,618,820

## Findings and Recommendations (p. 4)

- Failure to Maintain Contributor Payroll Deduction Authorizations (Finding 1)
- Untimely Transmittal of Contributions (Finding 2)
- Misstatement of Financial Activity (Finding 3)

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<sup>1</sup> 2 U.S.C. §438(b).

# Table of Contents

	<b>Page</b>
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
Changes to the Law	1
<b>Part II. Overview of Committee</b>	
Committee Organization	2
Overview of Financial Activity	2
<b>Part III. Committee Receipt Records</b>	3
<b>Part IV. Summaries</b>	
Findings and Recommendations	4
<b>Part V. Findings and Recommendations</b>	
Finding 1. Failure to Maintain Contributor Payroll Deduction Authorizations	5
Finding 2. Untimely Transmittal of Contributions	8
Finding 3. Misstatement of Financial Activity	10

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the International Longshoremen's Association AFL-CIO Committee on Political Education ILA-COPE (ILA-COPE), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must 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. 2 U.S.C. §438(b).

### **Scope of Audit**

This audit examined:

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

### **Changes to the Law**

On March 27, 2002, President Bush signed into law the Bipartisan Campaign Reform Act of 2002 (BCRA). The BCRA contains many substantial and technical changes to the federal campaign finance law. Most of the changes became effective November 6, 2002. The period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are those that were in effect during the audit period.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	<b>ILA - COPE</b>
• Date of Registration	July 1, 1982
• Audit Coverage	January 1, 1999 – December 31, 2000
<b>Headquarters</b>	New York, NY
<b>Bank Information</b>	
• Bank Depositories	3
• Bank Accounts	1 checking & 2 investment accounts
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Robert E. Gleason
• Treasurer During Period Covered by Audit	Robert E. Gleason
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 1999</b>	<b>\$ 5,897,544</b>
○ Contributions from Individuals	1,232,981
○ Other Receipts (Dividends, Interest, etc.)	498,376
○ Refunds	2,000
<b>Total Receipts</b>	<b>\$ 1,733,357</b>
○ Contributions to Federal Candidates & Other Political Committees	697,625
○ Other Disbursements	797,269
○ Operating Expenditures	122,926
○ Refunds	1,000
<b>Total Disbursements</b>	<b>\$ 1,618,820</b>
<b>Cash on hand @ December 31, 2000</b>	<b>\$ 6,012,081</b>

## **Part III**

# **Committee Receipt Records**

All contributions received by ILA-COPE were made through payroll deduction. Union locals and employers transmitted these contributions either by pay period, monthly, or quarterly. Each member was given a check-off form to complete in order to voluntarily contribute via payroll deduction or to contribute a specific amount. The suggested contribution was one-tenth of one percent of wages. According to ILA-COPE representatives, there are about 59,000 union members, an estimated 75% of which contribute to ILA-COPE. Based on this information, the average contribution would be about \$20 per year per person. According to ILA-COPE representatives, the payroll deduction authorization forms (PDAs) were not maintained at the national office (with the exception of those employed at the national office), but rather were maintained by the union local and/or by the employer. The contributions withheld through payroll deduction were transmitted to ILA-COPE by check (“transmittals”) from the union local or, more commonly, from the employer. Union locals are not associated with a specific employer.

An initial inventory by the Audit staff indicated that ILA-COPE records for contributions from individuals were incomplete. Of the approximately 7,000 transmittals, totaling in excess of \$1,265,000, nearly 80% of the amounts transmitted lacked supporting contributor information, such as the contributor’s name, contribution date, and contribution amount. Since most transmittals came directly from employers and since an employer is not associated with a specific union local, it was not possible to determine the identity of the contributor or even the union local whose members contributed the amount transmitted. With respect to PDAs, ILA-COPE representatives argued that they were not required to maintain such records at the national office or centralize them at the audit site and suggested the Audit staff could visit the locals to review any PDAs. As a result, audit fieldwork was suspended.

This matter was then considered by the Commission and ILA-Cope was notified that it was required to:

- Maintain PDAs for each member who made contributions via payroll deduction. If ILA-COPE choose to maintain those records at the various union locals, it was necessary to assemble the PDAs at a central location and in an auditable state for Audit staff review; and,
- Provide documentation to demonstrate that contributions that were transmitted by employers and collecting agents were timely transmitted and deposited.

The Commission also advised that failure to comply may necessitate the issuance of subpoenas and/or the initiation of a compliance action by the Commission. Fieldwork resumed shortly after expiration of the time permitted for ILA-COPE to gather the necessary records. ILA-COPE was able to locate supporting contributor information for some of the transmittals which previously lacked this information. The PDAs gathered by ILA-COPE were arranged by local, in repetitive alphabetical sequences, making it difficult to locate a specific contributor’s PDA. PDAs were not provided for all requested locals.

## Part IV

# Summaries

### Findings and Recommendations

#### **Finding 1. Failure to Maintain Contributor Payroll Deduction Authorizations**

Based on a sample of transmittals from union locals and employers for which detailed contributor information was provided, the Audit staff determined that payroll deduction authorization forms were not available for about 67% of the contributors sampled. The interim audit report recommended that ILA-COPE demonstrate its compliance and provide any other comments it may have relative to these matters. Absent such a demonstration, it was recommended that ILA-COPE provide a description of policy and procedural changes implemented to ensure that such authorizations are obtained and maintained in the future, subject to review by the Audit staff at a later date. In its response, ILA-COPE did not demonstrate its compliance; rather, it acknowledges a need to improve its PDA recordkeeping function and describes steps it is taking to do so. (For more detail, see p. 5)

#### **Finding 2. Untimely Transmittal of Contributions**

Based on a sample of transmittals from union locals and employers, it was projected that \$178,321 had not been transmitted timely to ILA-COPE. The interim audit report recommended that ILA-COPE demonstrate the transmittals were received timely and provide any other comments it may have relative to this matter. Absent such a demonstration, it was recommended that ILA-COPE implement changes to its system and provide a description of such changes, subject to verification by the Audit staff at a later date, to include sending letters to union locals and employers notifying them of their requirements under the Act when withholding contributions by payroll deduction and transmitting contributions to ILA-COPE. In its response, ILA-COPE acknowledges that several transmittals were not received timely and details its efforts to ensure all transmittals are received timely. (For more detail, see p. 8)

#### **Finding 3. Misstatement of Financial Activity**

When ILA-COPE's reported activity was compared to its bank records for calendar years 1999 and 2000, the Audit staff found that beginning cash, receipts, disbursements, and ending cash had been misstated. In response to the interim audit report, ILA-COPE filed amended disclosure reports that correct these misstatements. ILA-COPE's narrative response further notes the hiring of an outside firm to ensure its reports are accurate. (For more detail, see p. 10)

## Part V

# Findings and Recommendations

### **Finding 1. Failure to Maintain Contributor Payroll Deduction Authorizations**

#### **Summary**

Based on a sample of transmittals from union locals and employers for which detailed contributor information was provided, the Audit staff determined that payroll deduction authorization forms were not available for about 67% of the contributors sampled. The interim audit report recommended that ILA-COPE demonstrate its compliance and provide any other comments it may have relative to these matters. Absent such a demonstration, it was recommended that ILA-COPE provide a description of policy and procedural changes implemented to ensure that such authorizations are obtained and maintained in the future, subject to review by the Audit staff at a later date. In its response, ILA-COPE did not demonstrate its compliance. Rather, it acknowledges a need to improve its PDA recordkeeping function and describes steps it is taking to do so.

#### **Legal Standard**

**Recordkeeping.** Each political committee or other person required to file any report or statement under this subchapter shall maintain all records relevant to such reports and statements. Records to be maintained with respect to the matters required to be reported, include bank records, 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. The Commission has determined that, under 11 CFR § 104.14(b)(1), separate segregated funds established pursuant to Part 114 of the Commission's rules must maintain copies of Payroll Deduction Authorizations for each individual who makes any contribution(s) via automatic payroll deduction. *See, e.g.* MUR 4955 (Metropolitan Life). 11 CFR §104.14(b)(1).

#### **Facts and Analysis**

As previously noted, approximately 20% of the dollar amount of transmittals was accompanied by records that allowed the identification of the contributors. Therefore, the test of the completeness of the associated PDAs was extremely limited. A sample review of selected transmittals that did identify the contributors revealed that for approximately 67% of the sample items, the related PDAs were not available. ILA-COPE representatives had stated at the entrance conference that the records for NYSA (New York Shipping Association, a regional unit for New York City area locals), had its offices in the World Trade Center, and all records were lost on September 11, 2001. This regional unit accounted for the largest number of identifiable contributors in the sample. However, copies of PDA's were located for 38% of the sample items associated with NYSA, while only 13% of the PDA's were located for other local units included in the testing..



At the exit conference, the Audit staff advised ILA-COPE representatives of this matter. The representatives indicated they would continue to locate, gather and forward to the Audit staff missing PDAs.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that ILA-COPE demonstrate its compliance with the recordkeeping requirements. It was further recommended that ILA-COPE implement policies and procedures to ensure that PDAs and other records are maintained in an auditable state. Copies of the procedural instructions were to be submitted with ILA-COPE's response and were to include an action plan for implementation of the changes. Once these procedures are in place, the Audit staff would verify that they are adequate to assure compliance via follow-up audit work. Although ILA-COPE may choose to maintain PDA's at the local level, it was recommended that the national office maintain copies of PDAs.

ILA-COPE's response states it does not claim to be able to produce a PDA for every member who contributed, but it cannot concede the Audit staff's 67% figure as representative of the whole because it believes the transmittals selected were not a representative sample for determining the total number of PDAs available. ILA-COPE believes that this particular audit method – providing a specific transaction and requesting PDAs for each member making up the transaction – proved to be an ineffective way to gauge the existence of specific PDAs. While acknowledging that it does not fault the Audit staff for taking this approach, ILA-COPE's response notes its members are not tracked by contribution transmittal.

Further, ILA-COPE's response stated it was impossible to determine for most transmittals which ILA members were the source of the funds and, therefore, it was not possible for ILA to track down a particular PDA. The response also points out (as does the interim audit report) that most transmittals came from employers and since they are not associated with the local union, it was not possible to determine the identity of the contributor or the local.

Also, given that PDAs may be maintained at the locals, each with different filing methods, coupled with 60,000 members, 75% of which contributed, it is not surprising that some PDAs could not be located. In addition, ILA-COPE notes that it is more likely than not, that employers will usually not deduct contributions from a member's paycheck without a written and signed authorization and that the missing PDAs exist, but merely cannot be located using the transaction back-up method. The response cites two specific examples: first, the results could be skewed by the loss of records maintained at the World Trade Center by NYSA, which accounted for the largest number of sample items; and, second, a flood at the national headquarters during April, 1999, which destroyed thousands of pages of documents, including some PDAs.

The response acknowledges ILA-COPE's responsibility: to maintain PDAs for a period of at least three years from the member's last contribution; to help insure each local

maintains PDAs; and to efficiently make them available for inspection. The response states letters are being sent to all ILA locals informing them of the importance of, and legal requirement to, maintain PDAs. The letter further requests that the local:

- Undertake a review of its existing membership and cross-check these lists against authorization cards in the local's possession;
- List each member for whom an authorization card cannot be locate; and,
- Communicate this list to the national office so that it and the local can work together to either locate the missing authorization card or arrange for the member to sign a new authorization card.

### **Audit Staff's Assessment of Committee Response**

ILA-COPE's response did not demonstrate its compliance with the recordkeeping requirements; rather, the response questions the Audit staff's sampling technique and acknowledges that it needs to improve its recordkeeping for PDAs. ILA-COPE failed to provide any additional supporting information for transmittals or any additional PDAs.

ILA-COPE's response indicates either a lack of understanding of the sampling technique utilized by the Audit staff and/or the results of that testing as presented above. As ILA-COPE contends, and the Audit staff concedes above, detailed contributor information was not maintained for about 80% of the \$1,265,000 collected via payroll deduction. That rendered the source of 80% of ILA-COPE's contributions unverifiable. Thus, any sampling method utilized would be limited to testing the 20% of the transmittals where information was available. The sampling technique used by the Audit staff projects a 67% error rate among the 20% of the contributions tested for which contributor information (contributor name) was available; it does not comment on the remaining 80% for which no contributor records were provided.

ILA-COPE also notes that given that it is permissible to maintain PDA's at the various locals, all with their own filing system, it not surprising that some PDA's could not be located. Although ILA-COPE is correct that it is allowable for records to be maintained in a decentralized fashion, it is still ILA-COPE's responsibility to assure that the records are complete and auditable.

Further, ILA-COPE's position that the sample could be skewed based on the large number of NYSA sample items selected is without merit. The audit report cites above that the Audit staff actually located a greater percentage of NYSA PDAs than PDAs for all other locals. Additionally, the impact of the flood at the national headquarters is also diminimis. ILA-COPE's position throughout the audit has been the PDAs were maintained at the locals and not at the national headquarters; only national staff PDAs were maintained there. No contributors from the national staff were selected in the sample. Finally, in both cases sufficient time had passed between the events and the audit testing for ILA-COPE to have re-established the necessary files.

Although ILA-COPE was unable to produce records to establish that it was in compliance with the record keeping requirements, it appears to have complied with the Audit staff's recommendation to institute policy and procedural changes relative to the

maintenance of PDAs; however, this remains subject to the Audit staff verifying that they have in fact been implemented via follow-up audit work.

## **Finding 2. Untimely Transmittal of Contributions**

### **Summary**

Based on a sample of transmittals from union locals and employers, it was projected that \$178,321 had not been transmitted timely to ILA-COPE. The interim audit report recommended that ILA-COPE demonstrate the transmittals were received timely and provide any other comments it may have relative to this matter. Absent such a demonstration, it was recommended that ILA-COPE implement changes to its system and provide a description of such changes, subject to verification by the Audit staff at a later date, to include sending letters to union locals and employers notifying them of their requirements under the Act when withholding contributions by payroll deduction and transmitting contributions to ILA-COPE. In its response, ILA-COPE acknowledges that several transmittals were not received timely and details its efforts to ensure all transmittals are received timely.

### **Legal Standard**

**A. Definition of Collecting Agents.** A collecting agent is an organization or committee that collects and transmits contributions to one or more separate segregated funds to which the collecting agent is related. 11 CFR §102.6(b)(1).

**B. Transmittal of Contributions.** The full amount of each contribution collected by a collecting agent, or any other person, on behalf of a separate segregated fund shall be transmitted to that fund within 10 days of receipt if the amount of the contribution exceeds \$50; and, within 30 days of receipt if the amount of the contribution is \$50 or less. Finally, date of receipt is the date such person takes possession of the contribution. 11 CFR §§102.6(c)(4) and 102.8(a) & (b).

**C. Separate Segregated Fund Responsible for Acts of Collecting Agent.** The separate segregated fund is responsible for ensuring that the recordkeeping, reporting and transmittal requirements are met and is responsible for the acts of a collecting agent. 11 CFR §102.6(c)(1).

### **Facts and Analysis**

The Audit staff conducted a sample review of approximately 7,000 transmittals totaling in excess of \$1,265,000. The projected value of transmittals that were not forwarded timely was \$178,321. ILA-COPE representatives indicated that this was due in part to some employers transmitting funds quarterly when they transmitted tax withholdings. The untimely transmittals in the sample were forwarded from 38 to 343 days late.

At the exit conference, the Audit staff advised ILA-COPE representatives of these matters.

**Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that ILA-COPE demonstrate that transmittals were received timely and provide any comments it may have relative to these matters. Absent such a demonstration, it was recommended that ILA-COPE implement changes to its procedures and provide a description of such changes to include an action plan for implementation of the changes. Once these procedures were in place, the Audit staff would verify that they are adequate to assure compliance via follow-up audit work. The Audit staff further recommended that ILA-COPE send letters to union locals and employers notifying them of their requirements under the Act when withholding contributions from individuals and transmitting contributions to ILA-COPE.

In its response to the interim audit report, ILA-COPE stated that the Audit staff reviewed several dozen transmittals of voluntary contributions and determined that some were not transmitted within 30 days, as required by federal rules.

The response acknowledges that several transmittals were not made within the 30-day period and notes that the majority of the late transmittals were made directly to ILA-COPE from employers and did not pass through any local. ILA-COPE notes that it has no legal control over the transmittal of contributions by employers because employers are not “collection agents” for ILA-COPE. Therefore, it can only advise employers of the potential legal consequences of failing to timely transmit contributions and urge them to comply with the law.

None the less, ILA-COPE states that it is making specific efforts to ensure that all transmittals of contributions to ILA-COPE – whether from locals or from employers – are made in a timely manner. Specifically with regard to ILA locals, ILA-COPE is sending a letter to all locals explaining the “collecting agent” transmittal rules and instructing these locals to transmit contributions within the applicable time periods. ILA-COPE also intends to follow-up with locals that do not provide timely transmittals and to take increasingly severe steps, as needed, to ensure that transmittals are made on time.

With regard to employers transmitting contributions from members made via payroll deduction, ILA intends to inform each employer of their responsibilities under federal law and to urge them to comply with that law. While most employers are made aware of the federal requirements for the timely transmittal of political contributions as part of the collective bargaining process, as mentioned above employers are not “collecting agents” for ILA-COPE, and, thus it has no ability (or right) to legally control their actions.

**Audit Staff's Assessment of Committee Response**

ILA-COPE's response did not demonstrate that any of the transmittals discussed above were made timely. ILA-COPE is correct that the employers of its members are not collecting agents as defined in 11 CFR 106.2(b). In contrast the union locals that transmit contributions are collecting agents. In both cases, the proposed actions described in ILA-COPE's response to the interim audit report appear to comply with recommended actions; however, these actions are subject to Audit staff verification.

### **Finding 3. Misstatement of Financial Activity**

#### **Summary**

When ILA-COPE's reported activity was compared to its bank records for calendar years 1999 and 2000, the Audit staff found that beginning cash, receipts, disbursements, and ending cash had been misstated. In response to the interim audit report, ILA-COPE filed amended disclosure reports that correct these misstatements. ILA-COPE's narrative response further notes the hiring of an outside firm to ensure its reports are accurate.

#### **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 or Schedule B.  
2 U.S.C. §434(b)(1), (2), (3), (4), (5) and (6).

#### **Facts and Analysis**

The Audit staff's reconciliation of ILA-COPE's reported financial activity to its bank records for the period January 1, 1999, through December 31, 2000, indicated that beginning cash, receipts, disbursements, and ending cash were misstated. ILA-COPE did not provide records to explain how the amounts shown on its disclosure reports were calculated; as such, not all discrepancies could be explained. Charts follow which present the misstatements for each calendar year and succeeding paragraphs detail the discrepancies that occurred.

<b>1999 Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Cash Balance on 1/1/99	\$5,826,899	\$5,897,544	\$70,645 Understated
Receipts	\$942,665	\$780,012	\$162,653 Overstated
Disbursements	\$675,045	\$730,732	\$55,687 Understated
Cash Balance on 12/31/99	\$6,093,219	\$5,946,823	\$146,396 Overstated

The \$70,645 understatement of beginning cash balance on January 1, 1999, could not be explained.

The overstatement of receipts was the net result of the following:

- |   |                |
|---|----------------|
| • Failure to report losses on bond investments    | (\$139,570)    |
| • Two deposits made during June 1999 not reported | 35,276         |
| • Interest earned during June 1999 not reported   | 39,420         |
| • Interaccount transfers reported                 | (90,000)       |
| • Bank adjustments not reported                   | <u>(7,779)</u> |
| <i>Net amount receipts overstated</i>             | (\$162,653)    |

The understatement of disbursements was the net result of the following:

• Investment account management fees not reported	\$ 11,692
• Payments for CPA services not reported	5,490
• Disbursements not reported	34,587
• Miscellaneous reporting errors	(590)
• Unexplained difference	<u>508</u>
<b><i>Net amount disbursements understated</i></b>	<b>\$ 55,687</b>

The overstatement of the ending cash balance on December 31, 1999, was the net result of the misstatements noted above.

<b>2000 Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Cash Balance on 1-1-00	\$6,093,219	\$5,946,823	\$146,396 Overstated
Receipts	\$1,025,623	\$953,345	\$72,277 Overstated
Disbursements	\$769,115	\$888,087	\$118,973 Understated
Cash Balance on 12-31-00	\$6,349,727	\$6,012,081	\$337,646 Overstated

The overstatement of beginning cash balance on January 1, 2000, was the result of the discrepancies detailed above for 1999.

The overstatement of receipts was the net result of the following:

• Interest underreported on the October 15 <sup>th</sup> quarterly report	\$ 7,687
• September deposits not reported	45,104
• Net gain on bonds not reported	49,664
• Refunds/offsets not reported	2,000
• Net overstatement of interest on the April 15th quarterly report	(7,000)
• Receipts overstated on the 30-day post-general report	(20,386)
• Interaccount transfers reported	(150,000)
• Bank adjustments not reported	(706)
• Unexplained difference	<u>1,360</u>
<b><i>Net amount receipts overstated</i></b>	<b>\$ 72,277</b>

The understatement of disbursements was the net result of the following:

• Investment account management fees not reported	\$ 11,949
• Disbursements reported twice	(37,400)
• Disbursements not reported	162,355
• Miscellaneous reporting errors	(13,367)
• Check amount reported incorrectly	(4,000)
• Unexplained difference	<u>(564)</u>
<b><i>Net amount disbursements understated</i></b>	<b>\$ 118,973</b>

The overstatement of the ending cash balance on December 31, 2000, was the net result of the misstatements noted above for 1999 and 2000.

During the exit conference, the Audit staff discussed these matters with ILA-COPE representatives and provided them with schedules detailing the misstatements presented above. ILA-COPE representatives indicated that amended reports would be filed.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that ILA-COPE file amended reports to correct the misstatements noted above. In addition, ILA-COPE was to amend all subsequent reports in order to correct reported cash balances. It was also recommended that ILA-COPE develop procedures to assure that all bank accounts are reconciled to its accounting records regularly and that disclosure report totals are reconciled to both bank records and accounting records.

In its response to the interim audit report, ILA-COPE acknowledged that it unintentionally made reporting errors during the audit period and filed amended disclosure reports that corrected these misstatements. The response noted that these errors resulted from a shortage of staff devoted to reporting and a failure to reconcile its reported activity to its bank activity. ILA-COPE now employs an outside firm to file its disclosure reports and believes it has eliminated many of the problems which occurred during the audit period.