



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

January 19, 2005

MEMORANDUM

TO: PRESS OFFICE

FROM: JOSEPH F. STOLTZ *JFS*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
THE AMERICAN FEDERATION OF STATE COUNTY & MUNICIPAL  
EMPLOYEES – PEOPLE, QUALIFIED (A03-50)

Attached please find a copy of the final audit report and related documents on the American Federation of State County & Municipal Employees – PEOPLE, Qualified, which was approved by the Commission on January 7, 2005.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

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 American Federation of State County & Municipal Employees – PEOPLE, Qualified

January 1, 2001 – December 31, 2002

---

## 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 American Federation of State County & Municipal Employees – PEOPLE, Qualified (AFSCME) is a separate segregated fund (SSF) headquartered in Washington, D.C. For more information, see chart on the Committee Organization, p. 2.

## Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 7,637,530
○ Transfers from Affiliates	1,206,048
○ Refunds of Contributions made to Federal Candidates	11,000
○ Other Receipts	27,255
○ Total Receipts	\$ 8,881,833
• Disbursements	
○ Federal Operating Expenditures	\$ 42,301
○ Transfers to Affiliates	5,186,678
○ Contributions to Federal Candidates	3,244,000
○ Independent Expenditures	10,825
○ Other Disbursements	3,504
○ Total Disbursements	\$ 8,487,308

## Findings and Recommendations (p. 3)

- Disclosure of Disbursements (Finding 1)
- Reporting of Debts and Obligations (Finding 2)

---

<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 the Committee</b>	
Committee Organization	2
Overview of Financial Activity	2
<b>Part III. Summaries</b>	
Findings and Recommendations	3
<b>Part IV. Findings and Recommendations</b>	
Finding 1. Disclosure of Disbursements	4
Finding 2. Reporting of Debts and Obligations	5

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the American Federation of State County & Municipal Employees – PEOPLE, Qualified (AFSCME) 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. Except for the period November 7, 2002, through December 31, 2002, the period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are primarily those that were in effect prior to November 7, 2002.

## Part II Overview of Committee

### Committee Organization

<b>Important Dates</b>	<b>American Federation of State County &amp; Municipal Employees – PEOPLE, Qualified</b>
• Date of Registration	April, 20, 1972
• Audit Coverage	January 1, 2001 – December 31, 2002
<b>Headquarters</b>	Washington, D.C.
<b>Bank Information</b>	
• Bank Depositories	4
• Bank Accounts	5 Federal and 2 Non-Federal Accounts
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	William Lucy
• Treasurer During Period Covered by Audit	William Lucy
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• 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, 2001</b>	<b>\$ 402,738</b>
○ Contributions from Individuals	7,637,530
○ Transfers From Affiliates	1,206,048
○ Refunds of Contributions made to Federal Candidates	11,000
○ Other Receipts	27,255
<b>Total Receipts</b>	<b>\$ 8,881,833</b>
○ Federal Operating Expenditures	42,301
○ Transfers to Affiliates	5,186,678
○ Contributions to Federal Candidates	3,244,000
○ Independent Expenditures	10,825
○ Other Disbursements	3,504
<b>Total Disbursements</b>	<b>\$ 8,487,308</b>
<b>Cash on hand @ December 31, 2002</b>	<b>\$ 797,263</b>

## **Part III Summaries**

### **Findings and Recommendations**

#### **Finding 1. Disclosure of Disbursements**

The Audit staff identified disbursements totaling \$2,026,926 that were not reported on Schedules B (Itemized Disbursements). These disbursements were made from AFSCME's Non-Federal account and the purpose of these disbursements included federal activity that required disclosure. AFSCME complied with the Audit staff's recommendation by filing amended reports correctly disclosing these disbursements. (For more detail, see p. 4)

#### **Finding 2. Reporting of Debts and Obligations**

The Audit staff identified debts and obligations totaling \$19,276 that were not reported on Schedules D, Line 10 (Debts and Obligations). AFSCME complied with the Audit staff's recommendation by filing amended reports correctly disclosing these debts and obligations. (For more detail, see p. 5)

## Part IV

# Findings and Recommendations

### Finding 1. Disclosure of Disbursements

#### Summary

The Audit staff identified disbursements totaling \$2,026,926 that were not reported on Schedules B (Itemized Disbursements). These disbursements were made from AFSCME's Non-Federal account and the purpose of these disbursements included federal activity that required disclosure. AFSCME complied with the Audit staff's recommendation by filing amended reports correctly disclosing these disbursements.

#### Legal Standard

When operating expenditures to the same person exceed \$200 in a calendar year, the committee must report the:

- Amount;
- Date when the expenditures were made;
- Name and address of the payee; and
- Purpose (a brief description of why the disbursement was made). 2 U.S.C. §434(b)(5)(A) and 11 CFR §104.3(b)(3)(i).

#### Facts and Analysis

AFSCME's Federal account is funded primarily by payroll deduction contributions from its members. During the period covered by the audit, approximately 58% of all federal funds were transferred from its Federal account to its Non-Federal account. These transfers were reported on Schedule B, Line 22 (Transfers to Affiliated/Other Party Committees) and were the sole source of the Non-Federal account's funding.

During a review of AFSCME's Non-Federal account disbursements, the Audit staff identified expenditures totaling \$2,026,926 that should have been paid from the Federal account. The majority of these disbursements were to Union People Products for "PEOPLE" labeled merchandise used as incentives for the SSF's fundraising (i.e. SSF membership renewal).<sup>2</sup> As noted above, no impermissible funds were used since the Non-Federal account was funded solely by transfers from the Federal account.

#### Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that AFSCME:

- File amended reports, including Schedules B, Line 29, reporting these disbursements as memo entries<sup>3</sup>; and,

<sup>2</sup> The audit staff acknowledges that AFSCME could have used treasury funds to pay these fundraising costs and would not have been required to report them to the Commission. 11 CFR §114.1(a)(2).

<sup>3</sup> Starting in February of 2003, AFSCME began making these disbursements from its Federal account and included them on Line 21(b) of their disclosure reports.

- For each reporting period containing these memo entries, include a “memo text” entry stating “Per the FEC Audit, the memo entries on Schedule B, Line 29, are disbursements made from the committee’s Non-Federal account. The sources of these disbursements are federal funds transferred to the Non-Federal account and reported on Schedule B, Line 22.”

In response, AFSCME filed amended reports correctly disclosing the disbursements discussed above.

## **Finding 2. Reporting of Debts and Obligations**

### **Summary**

The Audit staff identified debts and obligations totaling \$19,276 that were not reported on Schedules D, Line 10 (Debts and Obligations). AFSCME complied with the Audit staff’s recommendation by filing amended reports correctly disclosing these debts and obligations.

### **Legal Standard**

- A. **Continuous Reporting Required.** A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C. §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).
- B. **Separate Schedules.** A political committee must file separate schedules for debts owed by the committee and debts owed to the committee, together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).
- C. **Itemizing Debts and Obligations.**
  - A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
  - A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

### **Facts and Analysis**

During a review of AFSCME’s operating expenditures, the Audit staff identified invoices from Union People Products totaling \$19,276 that were not reported as debts on Schedules D, Line 10 (Debts and Obligations), as required.

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

The Audit staff recommended that AFSCME file amended reports, including Schedules D, Line 10 reporting these debts and obligations.

In response, AFSCME filed amended reports correctly disclosing the debts and obligations discussed above.