



**FEDERAL ELECTION COMMISSION**

125 A STREET NW  
WASHINGTON, DC 20541

October 9, 1979

**MEMORANDUM**

**TO:** FRED EILAND  
**THROUGH:** BOB COSTA *FK*  
**FROM:** JUDY HANKINS *JH*  
**SUBJECT:** PUBLIC ISSUANCE OF AUDIT REPORTS

This memorandum serves to advise you that, as of October 9, 1979, the audit report:: for the following committee has been received by all parties involved and may be released to the public:

Masters, Mates & Pilots Pensioners Action Fund

cc: FEC Library  
RAD  
Public Records



## FEDERAL ELECTION COMMISSION

1074 STREET NW  
WASHINGTON, DC 20543

### REPORT OF THE AUDIT DIVISION ON THE MASTERS, MATES & PILOTS PENSIONERS ACTION FUND

#### I. Background

##### A. Overview

This report is based on an audit of the Masters, Mates & Pilots Pensioners Action Fund ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 433(a)(8) of Title 2 of the United States Code which directs the Commission to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of the Act.

The Committee registered with the U.S. House of Representatives on April 19, 1973, reporting the International Organization of Masters, Mates and Pilots as its connected organization. The Committee maintains its headquarters in New York, New York.

The audit covered the period from January 1, 1975 through June 30, 1978, the final coverage date of the most recent report filed by the Committee at the time of the audit.

The Committee reported a beginning cash balance on January 1, 1975 of \$81,432.22, total receipts for the period of \$200,712.09, total expenditures for the period of \$462,597.52 and a closing cash balance on June 30, 1978 of \$119,547.59. 1/

1/ Total totals do not prove mathematically due to the Committee's failure to accurately report cash-on-hand as January 1, 1975. (See Finding C. below).



This audit report is based on documents and working papers which support each of the factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period audited were William F. Fitzpatrick, Chairman from January 1, 1975 to November 2, 1976, and John E. Fields, Chairman, from November 3, 1976 through June 30, 1978; Harry Seidman, Treasurer, from January 1, 1975 to September 13, 1977 and Pietro Mazzio, Treasurer, from September 14, 1977 to June 30, 1978.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation and analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances.

II. Auditor's Statement and Description of Findings

It is the opinion of the Audit staff, based upon examination of the reports and statements filed and the records presented, that, except for the deficiencies noted below, the reports and statements of the Masters, Mates & Pilots Pensioners Action Fund fairly present the financial activities of the Committee for the period covered by the audit. Further, except as noted below, no material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

A. Commingling of Committee Funds

Section 432(b) of Title 2, United States Code, states, in relevant part, that all funds of a political committee shall be segregated from, and may not be commingled with, any personal funds of officers, members, or associates of such committee.

As a result of our review of Committee disclosure reports and expenditure records, we determined that the Committee made an expenditure of \$40,000 on April 10, 1976, to Mr. John R. Harold, Committee Counsel. We were informed by Mr. Harold that the \$40,000 was intended to establish a special Committee savings account for future legal contingencies. However, this account was not established until June 2, 1976, and the instrument used to open the account was a check drawn on an account of Mr. Harold's.

Subsequent to the close of fieldwork, in a telephone conversation Mr. Harold confirmed that the intermediate account in question, into which the \$40,000 was deposited, was a personal account used in connection with expenses related to his law practice.

We recommended in our letter of audit findings mailed to the Committee on February 11, 1979, that the Committee obtain and forward copies of available documentation on this transaction including copies of bank statements on the intermediate account for the applicable period.

On March 22, and April 14, 1979, the Committee Counsel submitted documentation on his personal account and a statement to the effect that, for the 51-day period the Committee's funds were on deposit in his account, the balance of said intermediate account never fell below the amount transferred (\$40,000), and, hence, the Committee's funds were never diverted from their intended purpose. Our review of the bank records for Mr. Harold's account confirmed this contention.

#### Interpretation

Since documentation submitted showed no commingling of Committee funds with funds prohibited under the Act, and that there was no material diversion of Committee funds from their intended purpose since the proper account was opened and the funds transferred within a reasonably short period of time, no further action is recommended in this matter.

**B. Itemization of Contributions**

Section 434(b)(2) of Title 2 of the United States Code states that each report shall disclose the full name and mailing address (occupation and the principal place of business, if any) of each person who has made one or more contributions to or for a committee or candidate within the calendar year in and aggregate amount or value in excess of \$100, together with the amount and date of such contributions.

For the period September 1 through December 31, 1975, the Committee reported \$30,785.03 in itemized contributions, but did not file any supporting schedules of itemized contributors. Our audit disclosed that 641 itemizable contributions (totaling \$27,873.12) each aggregating in excess of \$100.00 were received by the Committee during this period.

We recommended in our audit findings letter of February 14, 1976, that the Committee file a comprehensive amendment for 1975 to include the subject contributions.

On May 17, 1979, the Committee filed the requested comprehensive amendment.

Recommendation

Because the Committee has complied with our request in this matter, no further action is recommended.

**C. Disclosure of Cash on Hand**

Section 434(b)(1) of Title 2 of the United States Code requires that each disclosure report shall include the amount of cash on hand at the beginning of the reporting period.

Our examination of Committee bank records and disclosure reports revealed that the Committee did not report cash on hand at the beginning of 1975 in excess of \$100,000 in cash on hand as of January 1, 1975.

2) Our review of Committee records and disclosure reports for the period April 1 through June 30, 1976, revealed that the Committee incorrectly reported two (2) inter-bank transfers, totaling \$65,000, as expenditures to the Committee attorney. The purpose of these transfers was to establish two (2) separate interest bearing escrow accounts for the Committee. Since the transactions were not expenditures, but merely intra-Committee transfers of funds, reported cash on hand amounts subsequent to the transactions were inaccurate. Reported expenditures were also inaccurate for the second quarter of 1976, as were year to date expenditures for the period 7/1/76-12/31/76. In addition, the interest earnings from the two (2) escrow accounts were not reported as receipts other than during the second quarter of 1977. Consequently, cash on hand was further understated for all subsequent periods.

3) Our review of Committee expenditure records revealed that an expenditure in the amount of \$2,500 was reported as of December 31, 1976, but that the check issued as payment in connection with this expenditure was written during 1977. The incorrect reporting of this transaction caused a misstatement of cash on hand and expenditures for both 1976 and 1977.

We recommended in our letter of audit findings of February 14, 1979, that the Committee file comprehensive amendments for 1975 through 1978 to correct the above noted deficiencies.

On May 17, 1979, the Committee filed comprehensive amendments for the years 1975 through 1978 which materially disclosed the information required above.

#### Recommendation

Since the Committee has complied with our request in this matter, no further action is recommended.

**D. Preservation of Supporting Documentation  
for Expenditures**

Section 432(d) of Title 2 of the United States Code states that it shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by or on behalf of a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100. Section 102.9(e)(4) of Title 11, Code of Federal Regulations, states that when a receipted bill is not available, the treasurer may keep (i) the cancelled check showing payments of the bill; and (ii) the bill, invoice or other contemporaneous memorandum of the transaction supplied to the Committee by the payee containing the required information.

Our review of Committee records revealed that the Committee did not maintain receipted bills, invoices, or contemporaneous memoranda to support 32 expenditures totaling \$18,307.39, which represented 15.10% of the total dollar value of expenditures requiring such documentation. The Committee also did not have available cancelled checks for 17 of these expenditures totaling \$10,270.11, which represented 4.05% of the total dollar value of expenditures requiring such documentation.

We recommended in our audit findings letter of February 14, 1979, that the Committee obtain and submit for our review sufficient documentation to establish the ultimate purpose and use of these expenditures, or evidence of the Committee's efforts to obtain the documentation.

On April 9, 1979, the Committee provided satisfactory documentation or evidence of its reasonable efforts to obtain supporting documentation for 20.2% of the dollar value of the individually documented expenditures.

By the Committee

Since the Committee has materially complied with our request, no further action is recommended.

### E. Itemization of Expenditures

Section 434(b)(9) and (10) of Title 2 of the United States Code requires that each report disclose the identification of each person to whom expenditures have been made in an aggregate value in excess of \$100 and the amount, date, and purpose of such expenditures.

Our review of Committee records revealed that nine (9) expenditures (4.84% of the total number of itemizable expenditures) each aggregating in excess of \$100 were not itemized on the Committee's disclosure reports for the period audited (five (5) expenditures during 1975; three (3) during 1976; and one (1) during 1977). These expenditures totaled \$11,821.64 and represented 4.67% of the total dollar value of itemizable expenditures.

Our review also disclosed that the Committee did not state the purpose of 16 itemized expenditures totaling \$9,509.10 during the years 1975, 1977, and 1978.

We recommended in our audit findings letter, that the Committee include in comprehensive amendments for the years 1977 through 1978 the nine (9) expenditures itemized as required. We also recommended that the purpose for the 16 expenditures mentioned above be included on the comprehensive amendments.

On July 9, 1979, the Committee filed supplementary amendments to its submission of May 17, materially disclosing the items cited above.

#### Recommendation

Since the Committee has complied with our request in all material respects, no further action is recommended.

### F. Other Matters

Below are matters noted during the audit for which no further action is recommended.

1. The Committee consistently filed its disclosure reports late, and did not file 10-day pre-election and 30-day pre-election reports for the primary and general elections in 1976. The Committee attorney attributed this deficiency to a lack of understanding and ignorance of the requirements of 2 U.S.C. 434a.



2. Our review of Committee records and disclosure reports revealed that the Committee did not report a debt in the amount of \$876.99. It was noted that an invoice dated March 1, 1977 was not paid until July 28, 1977. This debt should have been reported at the time of the transaction, as required by 11 CFR 104.8(b).

3. Our review of the Committee's expenditures disclosed a check written on August 28, 1976, payable to "cash" in the amount of \$1,500, which was not used for petty cash purposes. Subsequent inquiry showed that the purposes for which the funds were used, reimbursement of Committee Trustee expenses, were itemized on the Committee's disclosure reports. The Committee was advised of the requirements of 2 U.S.C. 424(a) and 11 CFR 102.10 regarding cash expenditures in excess of \$100 restricted to petty cash purposes.

4. Our review of Committee bank records and statement of organization revealed that two (2) repositories were not disclosed, as required, on the Committee's statement of organization. Subsequent to fieldwork, the Committee Council informed the Audit staff that these two (2) accounts had been closed in November of 1976. The Committee was informed of the pertinent requirements of 2 U.S.C. 432(b)(9).

