



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

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May 28, 1981

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: *RF* ROBERT COSTA

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
MACHINISTS NON-PARTISAN POLITICAL LEAGUE

Attached please find a copy of the final audit report of the Machinists Non-Partisan Political League which was approved by the Commission on May 22, 1981.

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

Attachment as stated

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Public Record



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION
ON THE
MACHINISTS NON-PARTISAN POLITICAL LEAGUE

I. Background

A. Overview

This audit report is based on an audit of the Machinists Non-Partisan Political League ("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 438(a)(8) of Title 2 of the United States Code which, at the time of the audit, directed 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 Machinists Non-Partisan Political League (MNPL) is the separate segregated fund of the International Association of Machinists and Aerospace Workers (IAM) and registered with the United States General Accounting Office on April 17, 1972. The Committee maintains its headquarters in Washington, D.C.

The audit covered the period from January 1, 1977 through February 28, 1979, 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, 1977, of \$60,538.67; total receipts for the period of \$889,806.39; total expenditures for the period of \$683,640.16; and a closing cash balance on February 28, 1979 of \$266,704.90.

The International Association of Machinists and Aerospace Workers is composed of approximately 1,650 local lodges organized into 150 district lodges. The IAM district lodges are further organized into various State Councils. Contributions are solicited by the Committee both on a direct mail basis, 1/ and through fundraising events and raffles held at the local and district level. Funds raised at the local and district level are transmitted to the Committee for use in the support of Federal candidates. The Committee provides guidance to local and district officials to assist them in complying with the Act and Commission Regulations regarding solicitation and recordkeeping for contributions.

Since a significant portion of the Committee's receipts are raised and recorded at the local, district and state council level, the Audit staff determined that, in order to test the Committee's overall compliance with the Act and Commission Regulations regarding solicitation and recordkeeping for contributions, a review of records maintained at the field level would be necessary. Accordingly, two (2) IAM State Councils and one (1) IAM District Office were selected for review, based on their relatively large proportion of receipts raised for the Committee. The three (3) field offices where records were reviewed are as follows:

- (1) Connecticut State Council of Machinists (CSCM) New Britain, Connecticut;
- (2) Ohio State Council of Machinists (OSCM) Cleveland, Ohio; and
- (3) International Association of Machinists - District 15 (IAM-15) New York, N.Y.

The findings resulting from our review of records at the field office level are presented following the Committee's (Headquarters) section of this report.

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.

1/ The Committee solicits its officers and staff representatives (members of the union) under a "Sponsoring membership plan" under which a guideline is used suggesting contributions based on a proportion of the individual's salary. These solicitations are processed through IAM's various regional offices and contributions and accompanying information are sent directly to the Committee headquarters in Washington, D.C.

B. Key Personnel

The principal officers of the Committee during the period audited were the following:

<u>Name</u>	<u>Office</u>	<u>Period in Office</u>
William W. Winpisinger	Co-Chairman	1/1/77 - 2/28/79
Eugene Glover	Co-Chairman	1/1/77 - 2/28/79
Floyd E. Smith	Co-Chairman	1/1/77 - 6/30/77
George J. Poulin	Co-Chairman	7/1/77 - 2/28/79
Howard F. Dow	Treasurer	1/1/77 - 2/28/79

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. Audit Findings and Recommendations

A. National Headquarters Activity

1. Timely Deposit of Contributions into Campaign Depository

During the period covered by the audit, Section 103.3(a) of Title 11, Code of Federal Regulations required, in part, that all contributions received by political committee(s) shall be deposited in a checking account in the appropriate campaign depository by the treasurer of the committee or his/her agent, within 10 days of receipt. Subsequent to the audit field-work, Section 432(b)(2) of Title 2, United States Code was amended to require, in part, that contributions be forwarded to the Committee treasurer within 30 days of receipt, or in the case of contributions in excess of \$50.00, within 10 days of receipt.

Our review of the Committee's statement of organization and amendments thereto disclosed only accounts maintained by the Committee in Washington, D.C. as designated depositories.

Our review of the Committee's receipt records indicated the Committee received at least 114 transmittals of contributions from locals, districts and state councils, totaling \$75,904.47, which were held by these field offices for varying periods of time and not deposited in the Committee's designated campaign depository within 10 days of original receipt. Typically, these receipts were collected at fundraising events conducted by the field offices and were not forwarded to the Committee until completion of the events.

As a result of our review of records at field offices we noted that collections from the sale of raffle tickets were retained at the district and state council levels for as many as 107 days prior to transmittal to the Committee's headquarters. 2/

In the interim audit report, dated March 11, 1981, the Audit staff recommended that the Committee devise and submit procedures which provide for compliance with the timely deposit requirements as discussed at Section III.a.

On April 22, 1981, the Audit staff received the Committee's proposed procedures, and upon completion of our review of the procedures, concluded that they provide for compliance with the timely deposit requirements.

Recommendation

The Audit staff recommends that the Committee distribute the procedures to the local, state, and district collection agents and MNPL officials for implementation. After completion of this distribution, no further action is recommended on this matter.

2. Improper Use of Contribution Guidelines

Section 114.5(a)(2) of Title 11, Code of Federal Regulations, states, in part, that a guideline for contributions may be suggested by a labor organization, or its separate segregated fund, provided that the person soliciting or the solicitation informs the persons being solicited:

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- 2/ Although records were not available to determine the exact length of time contributions were held by collection agents prior to transmittal to the district/state council, tickets were distributed to the collection agents approximately four (4) months prior to the raffle for IAM-15, two (2) months prior to the raffle for CSCM and three (3) months prior to the raffle for OSCM.

- (i) that the guidelines are merely suggestions; and,
- (ii) that an individual is free to contribute more or less than the guidelines suggest and that the labor organization will not favor or disadvantage anyone by reason of the amount of their contribution or their decision not to contribute.

During the audit period the Committee raised approximately 50% of its contributions through its "sponsoring membership plan" for IAM officers and staff representatives. The Committee uses guidelines for contributions based on a percentage of the solicited individual's salary. However, the solicitation material containing the guidelines used in connection with the plan does not include the required notices.

In the interim audit report, the Audit staff recommended that the Committee revise its solicitation procedures to comply with the requirements set forth at Section III.f.3.

On April 22, 1981, the Audit staff received the Committee's revised solicitation procedures, and upon completion of our review of the procedures, concluded that they provide compliance with the solicitation requirements.

Recommendation

The Audit staff recommends that the Committee distribute the procedures to the local, state, and district collection agents and MNPL officials for implementation. After completion of this distribution, no further action is recommended on this matter.

3. Reporting of Cash on Hand

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

Our review of records revealed that the Committee's reports during the audit period did not include approximately \$2,185.00 in cash on hand. Committee officials stated that although they had been aware of the discrepancy prior to 1976, they were not aware that the reports should have been amended. On April 27, 1979, the Committee filed amendments correctly reflecting the change in cash on hand.

Recommendation

Based on the above, we recommend no further action on this matter.

4. Disclosure of Transfers

During the period covered by the audit, Section 434(b)(4) of Title 2 of the United States Code required each report to contain the name and address of each political committee from which the reporting committee received, or to which that committee made, any transfer of funds, together with the amounts and dates of all transfers.

During the audit, it was determined that the Committee did not itemize nine (9) transfers-in totaling \$3,241.00 received from affiliated committees at the state and district level. These transfers represent 89.6% of the total dollar amount of all transfers received.

It was also determined that the Committee did not report three (3) transfers-out to other political committees totaling \$2,500.

The Committee officials agreed to file amended reports itemizing the transfers.

Recommendation

On April 27, 1979, the Committee filed amendments disclosing this information; therefore, we recommend no further action on this matter.

B. District and State Council Activity

Overview

As indicated previously, the Committee raises a significant portion of its total contributions through various fundraising events, mainly raffles, held at the local, district and state council office level. Although the exact dollar amount thus raised cannot be readily calculated, it is estimated that this type of activity accounted for at least 39% of the Committee's total receipts for the period audited.

Raffle events may be conducted by a single local, a group of locals, or a group of locals in concert with their IAM district or state council offices. Records pertaining to the events are maintained at the field office level sponsoring the event. Financial information and proceeds are transmitted to Committee headquarters through the highest field level office sponsoring the event.

As indicated previously, two (2) IAM State Councils and one (1) IAM District Office were selected for review by the Audit staff. Their records pertaining to Committee activity were reviewed and IAM officials on site were interviewed. The findings resulting from this review of Committee activity at the field office level are presented below.

1. Notice Required With Solicitations

Section 114.5(a) of Title 11, Code of Federal Regulations requires, in part, any person soliciting contributions to a separate segregated fund to inform the member of the political purpose of the fund and that the member may refuse to contribute without fear of reprisal.

In the case of CSCM, we found no indication that members were advised, either verbally or in written solicitation material, of the political purpose of the fund or the voluntary nature of contributions. Solicitation material used by the IAM-15 office for its raffle failed to advise solicitees of the voluntary nature of contributions.

2. Solicitation of Non-Members

Section 441b(b)(4)(A)(ii) of Title 2 of the United States Code prohibits a separate segregated fund established by a labor organization from soliciting contributions to such a fund from any person other than its members and their families.

During our review, we noted that IAM-15 may have sold raffle tickets to non-members. Although records were not available to determine if non-members were solicited, an official of IAM-15 stated that, "The shop stewards can sell to strangers; they don't have to be union members." We also noted that procedures provided by the CSCM to ticket sellers makes no mention of restricting solicitations to IAM members. Indeed, these written procedures state "Tickets may be sold throughout the State, but only to individuals."

In the interim audit report, the Audit staff recommended that the Committee revise its solicitation procedures and/or materials to comply with the requirements set forth at Section III.f.1. and 2.

On April 22, 1981, the Audit staff received the Committee's revised solicitation procedures, and upon completion of our review of the procedures, concluded that they provide compliance with the solicitation requirements.

Recommendation

The Audit staff recommends that the Committee distribute the procedures to the local, state, and district collection agents and MNPL officials for implementation. After completion of this distribution, no further action is recommended on this matter.

3. Matters Referred to the Office of General Counsel

Certain other matters noted during the audit were referred to the Commission's Office of General Counsel on December 16, 1980.

III. Procedural Recommendations

In general, it is the opinion of the Audit staff that many of the problems encountered by the Committee can be corrected through the development of specific guidelines to be forwarded to all collection agents and IAM officials responsible for MNPL activity at the local, state, and district levels.

These guidelines should address the following:

- a) Deposit and Transmittal of Contributions - All contributions shall either be deposited into a committee designated depository, or deposited into a transmittal account to be forwarded to the treasurer, or used to purchase a cashier's check or similar instrument to forward the contributions without depositing the contributions into any account. Contributions shall be forwarded within 10 days of receipt if in excess of \$50, or within 30 days if the contribution is \$50 or less. No disbursements may be made prior to deposit into a designated campaign depository. (2 U.S.C. 432(b), (h) and 11 C.F.R. 103.3(a) and 102.6).
- b) Recordkeeping for Contributions - The Committee treasurer is required to maintain an account of all contributions made to the Committee. Committee agents collecting contributions must forward the contributions to the treasurer within the time limits specified in (a) above, and if in excess of \$50, forward the name and address of the person making the contribution along with the date of receipt. (2 U.S.C. Section 432(b)(2)).
- c) Current Reporting - All contributions received, and expenditures made at the local level, must be disclosed on reports filed by the Committee covering that period. Specific information; such as the name, date, and amount of the contribution; or payee, date, and purpose of expenditure; shall also be disclosed if the contribution or expenditure is in excess of, or aggregates in excess of \$200 during the calendar year. (2 U.S.C. Section 434(b)(3), (5)).

d) Accounting for and Disclosure of Fundraising Receipts and Expenditures - The Committee treasurer is required to maintain an accounting of as well as report all contributions made (gross proceeds) to the committee. All fundraising expenditures made from Committee funds, including the cost of raffle prizes and other items sold, must be made from designated committee depositories and disclosed on committee reports. (2 U.S.C. 432(c) and (h) (1) and 434(b)).

e) Separation of Funds - Contributions to the Committee may not be commingled with personal funds of officers, members, associates or any other individuals. (2 U.S.C. Section 432(b) (3) 11 C.F.R. 102.15).

f) Solicitation of Contributions:

1. Union political action committees may not solicit contributions from individuals other than members and their families. "Member" is defined as a person satisfying the requirements for membership in a local, national, or inter-national labor organization. (2 U.S.C. 441b(b) (4) (A) (ii) and 11 C.F.R. 114.1(e)).

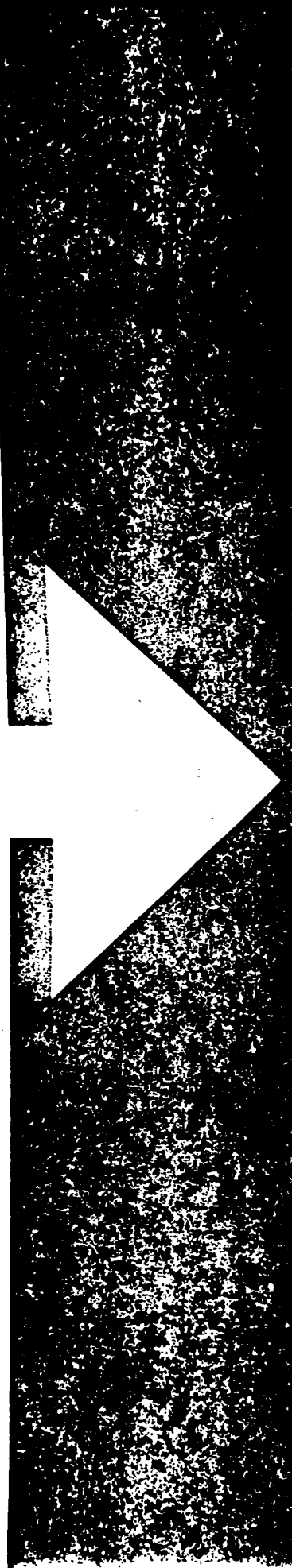
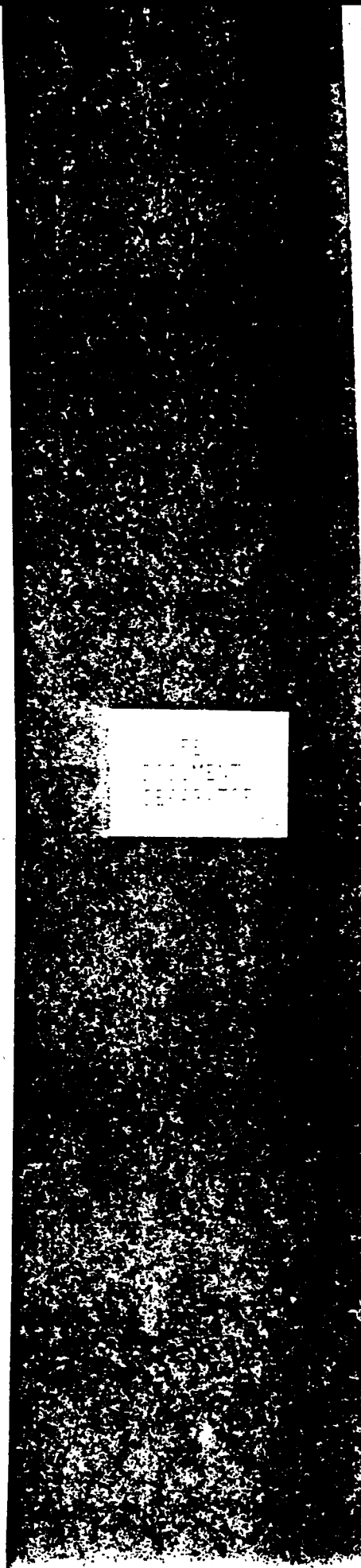
2. Any person soliciting contributions for the fund must inform the person being solicited of the political purpose of the fund at the time of the solicitation and that the solicitee has the right to refuse to so contribute without any reprisal. (2 U.S.C. 441b(b) (3) (B) and (C)).

3. A guideline for contributions may be suggested provided that the person soliciting or the solicitation (material) informs the person being solicited that the guidelines are merely suggestions and that the individual is free to contribute more or less than the guidelines suggest. (11 C.F.R. 114.5(a) (2)).

In the interim audit report, dated March 11, 1981, the Audit staff recommended that within 30 days of receipt of the report, the Committee prepare and submit detailed guidelines, with emphasis in the above areas, for the purpose of informing local, state, and district collection agents and MNPL officials of these requirements of the Act.

On April 22, 1981, the Audit staff received the Committee's detailed guidelines, and upon completion of our review of these guidelines, concluded that they provide the necessary guidance to local, state, and district collection agents and MNPL officials.

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