



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

December 23, 1980

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *R/C*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
COMMUNICATION WORKERS OF AMERICA - C.O.P.E.
POLITICAL CONTRIBUTIONS COMMITTEE

Attached please find a copy of the final audit report of the Communication Workers of America - C.O.P.E. Political Contributions Committee which was approved by the Commission on December 8, 1980.

Informational copies of this report have been received by all parties involved and this report may be released to the public as of today, December 23, 1980.

Attached as stated

cc: FEC Library
RAD
Public Record

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION
ON THE
COMMUNICATION WORKERS OF AMERICA - C.O.P.E.
POLITICAL CONTRIBUTIONS COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Communication Workers of America-C.O.P.E.-Political Contributions Committee ("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 Committee registered with the Office of the Clerk of the United States House of Representatives on April 17, 1972, and maintains its headquarters in Washington, D.C.

The audit covered the period from January 1, 1977 through January 31, 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 \$117,096.22, total receipts for the period of \$569,578.95, total expenditures for the period of \$659,665.04 and a closing cash balance on January 31, 1979 of \$27,010.13.

The Union is composed of twelve District offices and 876 LOCAL Unions. Contributions are solicited by the Committee at the LOCAL level, forwarded to the appropriate District office and then transmitted to the Committee for distribution to selected candidates and committees.

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Due to the Committee's structure, all contributor records are maintained at the LOCAL level. Therefore, to test disclosure and compliance provisions relating to solicitation and recordkeeping for contributions, the Audit staff selected for audit, the records maintained by five (5) Union locals based on dollar value of contributions transferred during the period of the audit. The selected LOCALS transferred a total of \$120,697.18 thereby enabling the Audit staff to test 21% of the total contributions transferred to the Committee. The five (5) LOCALS audited were:

- (1) CWA LOCAL Union No. 1101
New York, NY
- (2) CWA LOCAL Union No. 12143
San Antonio, TX
- (3) CWA LOCAL Union No. 12222
Houston, TX
- (4) CWA LOCAL Union No. 12215
Dallas, TX
- (5) CWA LOCAL Union No. 2336
Washington, D.C.

The findings obtained during the audit of the above LOCALS will be presented individually following the CWA-COPE-PCC (Headquarters) section of this interim report.

The audit report is based on documents and working papers which support each of its 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 of the audit were Mr. Glenn E. Watts, Chairman and Mr. Louis B. Knecht, Treasurer.

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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. Findings and Recommendations

A. Disclosure of Total Receipts and Expenditures

During the period of audit, Section 434(b)(8) of Title 2 of the United States Code stated, in part, that each report under this section shall disclose the total sum of all receipts by or for such committee during the reporting period.

Section 434(b)(9) of Title 2 of the United States Code stated, in part, that each report under this section shall disclose the identification of each person to whom expenditures have been made by such committee or on behalf of such committee within the calendar year in an aggregate amount or value in excess of \$100, the amount, date, and purpose of each such expenditure and the name and address of, and office sought by each candidate on whose behalf such expenditures were made.

During the Audit staff's reconciliation of the bank activity to the disclosure reports, the following disclosure errors were revealed:

	<u>1977</u>	<u>1978</u>	<u>1979</u>
(1) Unreported Interest			
(a) Certificates of Deposit	\$2,812.03	\$3,881.29	- 0 -
(b) Savings account	1,937.38	- 0 -	- 0 -
(2) Unreported Deposits	2,555.44	5,673.81	- 0 -
(3) Reported NSF Contributor Checks	(713.42)	(137.31)	(102.00)
(4) Committee addition errors	-0-	948.00	- 0 -
(5) Returned Committee Check	(1,500.00)	- 0 -	- 0 -
(6) Unreported Expenditures	6,082.07	- 0 -	- 0 -
(7) Reported Void Expenditures	(4,350.00)	(6,054.00)	- 0 -

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In general, the above errors resulted from inadequate reporting and recordkeeping practices.

The Committee filed comprehensive amendments for 1977 and 1978 and an amended report for January, 1979 to correct the above items.

Recommendation

The Audit staff recommends no further action on this matter.

B. Certain other matters noted during the audit were referred to the Commission's Office of General Counsel for consideration on February 26, 1980.

III. LOCAL Background 1/

A. Overview

Contributions are mainly solicited at the Union LOCAL level. To encourage LOCALS to actively solicit members for contributions to the Committee, a quota system was established whereby LOCALS are assigned a target amount, equivalent to \$2.00 per member, with a system of recognition for those LOCALS who meet their assigned quotas. Written procedures suggest that each LOCAL forward contributions collected on a weekly basis, maintain the necessary records, and emphasize the need to transmit contributions prior to the annual convention. Each May or June, during the annual convention, awards are given to those LOCALS who have successfully met their quota.

Guidelines prepared by the Committee concerning CWA-COPE-PCC operations do not inform LOCAL officials of the recordkeeping or disclosure requirements relating to Federal election activity. Therefore, due to the lack of records maintained at CWA-COPE-PCC ("the Committee"), the decision was made to expand audit fieldwork to include five (5) LOCALS.

1/ Unless specified otherwise, the use of LOCAL refers to CWA-COPE PCC ("the Committee") field operations, and does not refer to the Union organization or its operations.

IV. Findings and Recommendations Concerning Audited Union LOCALS

A. Certain matters noted during the audit were referred to the Commission's Office of General Counsel for consideration on February 26, 1980.

V. 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 development of specific guidelines to be given to LOCAL treasurers responsible for CWA-COPE-PCC activity.

Guidelines prepared should include the following:

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- 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. Stewards 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 reporting period. (2 U.S.C. Section 434(b)(3), (5)).

d) Solicitation - Union political action committees may not solicit contributions from individuals other than members and their families. 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. A guideline for contributions may be suggested provided that the person soliciting or the solicitation 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. (2 U.S.C. Section 441b(b) (4) (A) (ii), 441b(b) (3) (B) and (C)), and 11 C.F.R. 114.5(a) (2).

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) Prohibited Funds - Contributions may not be accepted from national banks, corporations, nor labor organizations. (2 U.S.C. 441b).

Recommendation

Based on the Audit staff's recommendation, on October 1, 1980, the Committee forwarded copies of two (2) preliminary guidelines which had been prepared and sent to Locals. In addition, Committee officials have arranged to meet with Commission staff to prepare more detailed guides to be sent to Locals.

The Audit staff recommends no further action on this matter.

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