



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 28, 1981

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
ILGWU CAMPAIGN COMMITTEE

Attached please find a copy of the final audit report of the ILGWU Campaign Committee which was approved by the Commission on February 20, 1981.

Informational copies of this report have been received by all parties involved and this report may be released to the public as of today, April 28, 1981.

Attached as stated

cc: FEC Library
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Public Record

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE ILGWU CAMPAIGN COMMITTEE

I. Background

A. Overview

This report is based on an audit of the ILGWU Campaign Committee ("the Committee") (which is the separate segregated fund of the International Ladies' Garment Workers Union) 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 House of Representatives on April 18, 1972. The primary function of the ILGWU Campaign Committee is that of contributing funds to candidates seeking Federal office.

The audit covered the period January 1, 1977 through December 31, 1978, the final coverage date of the latest report filed by the Committee at the time of the audit. The Committee reported opening cash at January 1, 1977 of \$63,468.14, total receipts for the period of \$687,702.81, total expenditures for the period of \$605,601.41, and a closing cash balance on December 31, 1978 of \$145,569.54.

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 for the period of the audit were Mr. Sol Chaikin, Chairman and Mr. Lawrence Dock, Acting Treasurer.

C. Scope

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

II. Audit Findings and Recommendations

A. National Office Activity

1. Disclosure of Bank Depositories

During the period covered by the audit, Section 433(b) (9) of Title 2 of the United States Code required, in part, that each Committee's Statement of Organization include a listing of all banks, safety deposit boxes, or other repositories used.

Section 432(h) (1) of Title 2 of the United States Code requires the treasurer of each political committee to maintain at least one checking account at designated depositories to deposit campaign contributions and make expenditures.

A review of Committee records revealed 77 bank accounts used by local offices exclusively for campaign activity which were not disclosed on the Statement of Organization although the financial activity of the accounts was adequately disclosed on Committee reports.

In addition, two (2) local offices (Local 361 and New England Region) are depositing contributions into savings accounts instead of checking accounts. Committee officials stated they would instruct the officials of Local 361 and New England Region to open checking accounts. They also said they would report most of the depositories on an amended Statement of Organization, but may choose to use transmittal accounts for the other accounts.

Since the Committee intends to use these accounts to make expenditures, as well as transmitting contributions to the national office, they do not qualify as nondisclosable transmittal accounts.

The Audit staff recommended that the Committee file an amended Statement of Organization disclosing all previously undisclosed bank accounts.

On November 13, 1980, the Committee filed an amended Statement of Organization disclosing all previously undisclosed bank accounts as required.

In addition, the Audit staff recommended that the Committee advise Local 361 and New England Region to maintain checking accounts for depositing campaign contributions. By letter dated November 12, 1980, the Committee notified Local 361 and New England Region to maintain checking accounts. These accounts were also disclosed as required.

Recommendation

The Audit staff recommends no further action in this matter.

2. Bonds Held By Committee Not Reported in Cash on Hand

Section 434(b)(1) of Title 2 of the United States Code requires that a political committee report the amount of cash on hand 1/ at the beginning of a reporting period.

A review of Committee records and reports revealed that the Committee had investments totaling \$533,500 at 1-1-77, \$435,812.50 at 12-31-77, and \$435,812.50 at 12-31-78. Although the investments were disclosed as footnotes during 1977, they were not reported during 1978. Further, the investments are sufficiently liquid to be readily converted to cash. The Committee had previously included these investments in beginning and ending cash, but as a result of an audit had been advised by a former Supervisory Officer to report investments only as a footnote to the Summary Schedule.

The committee reported a redemption of 8% U.S. Treasury Bonds for \$100,000 as a receipt on February 28, 1977. These bonds had been reported in a footnote as of January 1, 1977 with a value of \$96,687.50. On August 26, 1977 the Committee reported as a receipt a redemption of \$1,000 in U.S. Government Ship Financing Bonds (Matson Navigation Company) that were reported in a footnote as of July 1, 1977 with a value of \$1,000. As a result of these transactions, the Committee's receipts were overstated by \$101,000 and income understated by \$3,312.50.

1/ Section 104.3(a)(1) of Title 11, Code of Federal Regulations, effective April 1, 1980, clarifies the definition of cash on hand to include committee investments valued at cost.

The Audit staff recommended that the Committee file amendments to reflect the value of investments in cash on hand and to reflect a reduction in receipts for bonds that were redeemed in 1977.

On November 13, 1980, the Committee filed amendments for year end 1977 and 1978 to reflect the value of investments in beginning and ending cash. The amendments also reflect a reduction in receipts of \$97,687.50 for the bonds that were redeemed in 1977. The Audit staff reviewed these amendments and noted a \$1,000 discrepancy in cash on hand figures. In addition, there was no deletion of the itemization of the actual redemptions.

Recommendation

Since the correct figures are substantially disclosed in these amendments, the Audit staff recommends no further action in this matter.

3. Notices Required on Solicitation Material

Section 114.5(a)(5) of the Commission's Regulations requires that all solicitation materials for contributions to a separate segregated fund inform the member that the contributions will be used for political purposes and that the member may refuse to contribute without fear of reprisal.

A review of available Committee records indicated that the notices were absent on a substantial portion of solicitation material. The Committee was advised of these provisions and expressed a willingness to include this information on future solicitation material.

Recommendation

The Audit staff recommends that the Committee include the required notices on all solicitation materials used in the future and no further action is recommended.

B. Local Union Activity

The Committee solicits contributions through direct solicitations, raffles, trips, sales, and similar events held by its 51 Union locals. Records relating to these events are maintained by the locals, with the proceeds transferred to the national headquarters.

The national headquarters provides very little written guidance on fundraising to the local representatives and national officials were unable to provide detailed information on local fundraising efforts.

In order to evaluate the Committee's fundraising techniques, five (5) local unions were chosen for review. These locals 2/ account for 26.7% of the total contributions received by the Committee. Each local was visited, local officials interviewed, and records reviewed.

The auditors were limited in the review by a lack of detailed records on individual contributors. Discussions with Committee officials at local offices in Scranton and Johnstown, Pennsylvania revealed that no aggregation system or individual contributor records were maintained. However, these locals conducted several sales, trips, and raffles for the Committee each year and the possibility exists that some individuals gave more than \$100 a year although none were reported. Since records were not maintained the auditors could not determine if any violations had actually occurred. Findings relating to the locals are shown below:

1. Accounting For Raffle Contributions and Expenditures

During the period covered by the audit, Section 432(c)(1) and (3) of Title 2, United States Code required the treasurer of a political committee to keep a detailed and exact accounting of all contributions made to a political committee and all expenditures made on behalf of a political committee. During the period covered by the audit, Section 434(b)(6)(A) of Title 2, United States Code required a political committee to disclose the total amount of proceeds from the sale of tickets for each fundraising event. Section 434(b)(11) of Title 2, United States Code required a political committee to disclose the total sum of expenditures made by the committee.

Discussions with Committee officials at local offices in Johnstown and Scranton, Pennsylvania revealed that these offices regularly hold "50-50 raffles" where half of the proceeds from the sale of raffle tickets is used as the prize and the other half is deposited into the campaign committee account as profit. Therefore, only half of total receipts are reported as contributions and the amount of the prize is not reported as an expenditure. No record of participants in these raffles is maintained, as indicated above.

2/ Scranton, Pa.
Johnstown, Pa.
Local 23-25, New York
New Jersey Region, (formerly Eastern Region)
New York Coat, Suit, Dress & Rainwear Allied Workers

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The Audit staff recommended that the Committee devise and implement written procedures to bring itself into compliance with the Act and Commission Regulations in the following areas:

a. The requirement that an account of all contributions made to the Committee should be kept to include the name and address of every person making a contribution in excess of \$50 and, if a person's contributions aggregate more than \$200 during a calendar year, the account should include occupation, and the principal place of business (if any), as presently required by Section 432(c)(1), (2) and (3). Also, direct all locals to implement and maintain an aggregation system to insure individuals contributing more than \$200 in a calendar year are identified and itemized on reports to the Commission as presently required by 2 U.S.C. 434(b)(3).

b. The requirement of reporting the total amount of all receipts, including proceeds from fundraising events (such as trips, sales, and raffles) and total expenditures relating to such events as presently required by 2 U.S.C. 434(b)(2) and (4).

On November 13, 1980, the written directive explaining the procedures to the locals was submitted to the Audit staff as required.

Recommendation

The Audit staff recommends no further action in this matter.

2. Transfer of Funds from ILGWU Education Account

Section 441b(a) of Title 2 of the United States Code prohibits a union general treasury from making transfers to its separate segregated fund.

A review of Committee records revealed that between May 16, 1978 and July 6, 1978 the Local 91 office of the Campaign Committee deposited \$1,453.97 of campaign contributions in the Political Education Account which also contained union treasury funds. On June 6, 1978 and September 18, 1978, \$1,100 was transferred from the Political Education Account to the ILGWU Campaign Committee national account and on September 29, 1978, \$353.97 was transferred to Local 91's Campaign Committee Account.

Committee officials advised that they were aware of this restriction, however, the transfer resulted from a bookkeeping error which was subsequently corrected on June 6, 1978, September 18, 1978, and September 29, 1978.

Recommendation

Since the Committee recognized and corrected the problem before the audit began, and we found no evidence of additional transfers of funds between the separate segregated fund and general treasury funds, no further action is recommended in this matter.

3. Matter Referred to the Office of General Counsel

A certain matter noted during the audit was referred to the Commission's Office of General Counsel for consideration on June 10, 1980.

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ADDITIONAL INFORMATION REGARDING THIS ORGANIZATION
MAY BE LOCATED IN A COMPLETED COMPLIANCE ACTION
FILE RELEASED BY THE COMMISSION AND MADE PUBLIC IN
THE PUBLIC RECORDS OFFICE. FOR THIS PARTICULAR
ORGANIZATION'S COMPLETED COMPLIANCE ACTION FILE
SIMPLY ASK FOR THE PRESS SUMMARY OF MUR # 1367.
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.





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