



FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

June 8, 1981

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

FROM: BOB COSTA

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORTS -  
UAW-VOLUNTARY COMMUNITY ACTION PROGRAM  
AND THE COMMITTEE FOR GOOD GOVERNMENT

Attached please find a copy of the final audits reports of the UAW-Voluntary Community Action Program and The Committee for Good Government.

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

Attachments as stated

cc: FEC Library  
RAD  
✓ Public Record



## FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

### REPORT OF THE AUDIT DIVISION ON THE UAW-VOLUNTARY COMMUNITY ACTION PROGRAM

#### I. Background

##### A. Overview

This report is based on an audit of the UAW-Voluntary Community Action Program (UAW-V-CAP) ("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, 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 is the separate segregated fund of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) and registered with the U.S. General Accounting Office on April 17, 1972. The Committee maintains its headquarters in Detroit, Michigan. UAW-V-CAP's administrative and solicitation costs are paid for by the UAW. The Committee solicits voluntary cash contributions from members of that union in factories and union halls.

The audit covered the period January 1, 1977, through March 31, 1979, the final coverage date of the latest report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance of \$555,210.42, total receipts of \$1,510,647.71, total expenditures of \$1,281,919.71 and a closing cash balance at March 31, 1979 of \$784,038.42. <sup>1/</sup>

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

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<sup>1/</sup> The reported figure for expenditures was overstated by \$100.00 due to an apparent adding error in September, 1977.

B. Key Personnel

The key personnel of the Committee during the period covered by the audit were Mr. Douglas Fraser, Chairman, Mr. Emil Mazey, Treasurer, and Mr. Donald Moll, Assistant 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 analysis of Committee debts and obligations; and, such other audit procedures as deemed necessary under the circumstances.

II. Audit Findings and Recommendations

A. National Office Activity

1. Notices Required on Solicitation Material

Section 114.5(a)(5) of Title 11, Code of Federal Regulations, requires that any written solicitation for contributions to a separate segregated fund contain statements which inform the member of the political purpose of the fund and also inform the member that his contribution is voluntary and that he/she may refuse to contribute without fear of reprisal.

In addition, Section 114.5(a)(2) of Title 11, Code of Federal Regulations requires that if a guideline for contributions to a labor union's segregated fund is suggested, the labor union must inform the member being solicited:

1. the guidelines are merely suggestions; and
2. the individual is free to contribute more or less than the suggested guidelines and the labor union will not favor or disadvantage anyone by reason of the amount of the contribution.

Most of the Committee's funds were solicited during annual "dollar drives" which encouraged each member to contribute one dollar. The Committee uses flyers, posters, and tickets to solicit contributions from union members. The Audit Division reviewed examples of these materials at all levels of the Committee and none reviewed contained all of the required notices.

The Audit staff recommended that the Committee include the required statements on all solicitation material, advise regions and locals to do the same, and submit a copy of this written requirement to the Audit staff for review.

On April 15, 1981, the Committee submitted a proposed memorandum to its International Executive Board advising regions and locals to include the required notices on all of their solicitation materials.

#### Recommendation

Provided that a copy of the proposed memorandum is distributed to all regions and locals, the Audit staff recommends no further action on this matter.

#### 2. Late Reporting of Transfers

During the period of the audit, Section 434(b)(4) of Title 2, United States Code required that the committee disclose the name of each political committee to which the committee made transfers during the reporting period; together with the amount and date of each transfer.

In addition to the bank accounts maintained at the national office in Detroit, the Committee maintains an account at the Washington, D.C. office from which contributions to candidates are made. The Washington, D.C. office then periodically notifies the national office of the contributions and seeks a reimbursement in the amount of the contributions. The national office does not report the contributions until the period of notification, which is generally one or two months after the contributions are made.

The Audit staff recommended that the Committee issue written instructions requiring the Washington office to inform the national office of transfers to candidates as soon as they are made so they can be reported on a timely and current basis. The Audit staff further recommended that a copy of the written procedures be submitted to the Audit staff for review.

On April 15, 1981, the Committee submitted a proposed memorandum to its Washington office requiring a prompt reporting of all transfers made from the Washington account.

#### Recommendation

Provided the proposed memorandum is sent to the Washington office, the Audit staff recommends no further action on this matter.

B. Regional and Local Union Activity

Overview

UAW-V-CAP uses a three (3) tiered decentralized collection system with both local offices and regional offices soliciting contributions. These funds are combined at the regional offices which in turn transfer the contributions to the national office in Detroit. The contributions are raised by direct solicitation, raffles, sales, and mailings conducted by regional and local offices during their annual "Dollar Drives". Although national officials provide brochures on fundraising to the local and regional representatives, they do not monitor the fundraising activities, and since records for the fundraising activities are maintained only at the local and regional offices, officials at the national office could not provide the Audit staff with information on how the funds were collected.

In order to evaluate the Committee's fundraising techniques, two (2) regional offices <sup>2/</sup> and two (2) locals <sup>3/</sup> within each region were chosen for review. The two (2) regions account for 19.55% of the total contributions received by the Committee during the audit period and the locals reviewed account for 14.47% and 6.0% of the two (2) regions, respectively.

1. Matters Referred to the Office of General Counsel

Certain matters noted during the audit were referred to the Commission's Office of General Counsel on March 4, 1981.

III. Procedural Recommendations

In general, it was the opinion of the Audit staff that many of the problems encountered by the Committee could be avoided in the future through the development of specific written guidelines to be forwarded to all collection agents and Committee officials responsible for UAW-V-CAP activity at the local and regional levels.

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<sup>2/</sup> Baltimore Area - Region 8  
Grand Rapids Area - Region 1D

<sup>3/</sup> Local 239 in Baltimore, Md.  
Local 786 in York, PA - (Baltimore-Region 8)

Local 167 Wyoming, MI  
Local 1231 Grand Rapids, MI (Grand Rapids-Region 1D)

Specifically, it was the opinion of the Audit staff that these guidelines should address the following:

a) Deposit, Transmittal and Disclosure of Contributions and Cash on Hand

All contributions shall either:

1. be deposited into a designated campaign depository, or
2. be deposited into a "transmittal" account to be forwarded to the Committee treasurer, or
3. be used to purchase a cashier's check, money order, or similar instrument to forward the contributions without depositing the contributions into any account prior to transfer.

If Committee depositories are established (1 above), contributions may be deposited into and expenditures made from the accounts. Each depository must be disclosed on the Committee's Statement of Organization.

Alternatively, transmittal accounts (2 above) may be used solely for the deposit and transmittal of contributions to the Committee. All funds deposited are subject to the prohibitions and limitations of the Act. Contributions deposited into transmittal accounts must be forwarded to the Committee treasurer within 30 days of the original collection, or, if in excess of \$50 per individual, within 10 days of receipt together with the contributor's name and address and the date of the contribution.

Option 3 above is intended to allow for the periodic transfer of contributions to the Committee without having to open and/or maintain a bank account for each event, i.e. for the smaller less frequent events.

Under each method, contributions (and expenditures and cash on hand in the case of a designated depository) must be disclosed on reports filed by the Committee for the period in which the transactions occur. Specific information; such as the identification of the contributor, the date, and amount of the contribution; or payee, date, amount, 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. 432(b), (c) and (h), 2 U.S.C. 434(b), and 11 C.F.R. 102.6, 103.3(a), and 104.3).

b) 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)).

The Audit staff recommended that the Committee prepare and submit to the Audit staff detailed guidelines with emphasis in the above areas for the purpose of informing local and regional UAW-V-CAP officials of these requirements of the Act.

On April 15, 1981, the Committee submitted a copy of the proposed memorandum to its International Executive Board outlining procedures for transmitting contributions from local and regional offices to the national headquarters. In addition, the proposed memo outlines procedures for accounting and disclosure of fundraising receipts and expenditures by locals, regions, and the national office. The Audit staff has reviewed those sections of the Committee memorandum which address the specific recommendations contained in the interim audit report. 4/ The Audit staff recommends that in the paragraph dealing with segregation of Union Treasury and Committee monies, the Committee may wish to substitute the term "bank account" for the phrase "designated fund." This would provide clear guidance that such monies may not be kept in the same account.

Recommendation

Except as noted above, the Audit staff is of the opinion that these procedures will provide the necessary guidance to national, regional, and local officials.

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4/ The Committee memorandum addresses a number of issues in addition to those contained in the recommendations of the interim report. Not having been addressed in the interim report, these matters are beyond the scope of the final audit report. It should be noted, however, that neither the Commission nor the Audit staff approves or endorses the statement in the draft memorandum that the "audit report disclosed that the UAW was generally in compliance with the provisions of the Federal Election Campaign Act..." Regarding that section of the memorandum involving disclaimers, the Committee is reminded that certain costs directly attributable to any communication expressly advocating the election or defeat of a clearly identified candidate must be reported pursuant to 11 C.F.R. Sections 104.6, 100.8(b)(4), and 114.3(b).



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1325 K STREET N.W.  
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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 MR # 1375.  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.

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