



# INTERNATIONAL ASSOCIATION OF Heat & Frost Insulators & Allied Workers

International Headquarters

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Office of the General Secretary-Treasurer

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FEDERAL ELECTION  
COMMISSION  
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OFFICE OF GENERAL  
COUNSEL

PRE-MUR # 531

Mr. Anthony Herman  
General Counsel  
Federal Election Commission  
999 E Street, N.W.  
Washington, D.C. 20463

Re: Embezzlement of Funds

Dear Mr. Herman:

I am the treasurer of the International Association of Heat and Frost Insulators and Allied Workers Political Action Committee ("the Committee"). The Committee is a separate segregated fund of the International Association of Heat and Frost Insulators and Allied Workers ("Insulators"), a labor organization. I am writing to you because the Committee recently discovered that a clerical employee of the Insulators has embezzled a substantial sum from the Committee.

The FEC's statement of policy regarding misreporting due to embezzlement states that a committee should notify the Commission if it discovers a misappropriation of funds. 72 Fed. Reg. 16695 (April 5, 2007). Pursuant to that policy, I met with Deputy Associate General Counsel Stephen Gura and Assistant General Counsel Peter Blumberg on December 20, 2011. In that meeting, I described what I knew about the embezzlement of Committee funds and to the best of my ability answered their questions. At the conclusion of the meeting, they recommended that I describe for you in writing how the funds were misappropriated, how the misappropriation was discovered and how the Committee has responded to the misappropriation. I am writing this letter in response to that suggestion.

The Committee is a separate segregated fund organized by the Insulators in 1979. Its funds are derived entirely from the voluntary contributions of union members in the United States. The Committee makes contributions to both federal and state candidates. Because our union is relatively small, the funds available to the Committee are relatively limited. Those funds are kept in a single checking account at PNC Bank in Maryland.

The Insulators pays some, but not all of the Committee's administrative expenses. Since its inception, a secretary employed by the Insulators has been responsible for performing certain clerical tasks associated with the operation of the Committee, including the preparation of checks. From 2001 to 2011, that secretary was Cora Carper. Ms. Carper's job duties included the preparation of checks to make authorized contributions and recording the Committee's receipts and expenditures.

Affiliated with  
the AFL-CIO,  
Building and  
Construction  
Trades  
Department,  
Metal Trades  
Department  
and Canadian  
Labour Congress

For many years, most likely from its inception, the Committee has had in place several safeguards to prevent misappropriation of funds. The preparation of checks required prior authorization, and more recently prior written authorization. The responsibility for depositing receipts was divided among several office employees, so that no one person had that task, and the person responsible for making a deposit was generally not the person responsible for recording the deposit. And, bank statements were reviewed, not only by Ms. Carper but also by my secretary and by me.

During 2011, based on her conduct and demeanor in the office, it became apparent that Cora Carper had a drug abuse problem. She was sent to a drug rehabilitation facility at the Insulators expenses. In May 2011, after returning from rehabilitation, Ms. Carper was discharged because she failed a drug test.

Sometime after Ms. Carper's discharge, my secretary was instructed to review the Committee's records to ascertain whether there had been any impropriety. That process took some time because, as the Committee discovered, its bank statements did not include copies of all checks written on Committee's account, and obtaining those checks required the Committee to purchase special software from PNC, our bank, and pay a fee of several dollars for each check retrieved.

As a result of that review the Committee and the Insulators learned, to their great shock and dismay, that Cora Carper – who had been a long time and trusted employee – had embezzled several hundred thousand dollars from the Committee in her last two years of employment. More specifically, between June 2009 and February 2011 she had written over 300 checks payable to cash which she then cashed at a local branch of PNC. She endorsed the checks with her own signature and, as the committee later learned, the security cameras at the bank showed her cashing the checks. The total taken from the Committee appears to be \$499,200.

A question asked, after discovering the embezzlement, was why the Committee failed to discover the embezzlement sooner, particularly with two persons other than Ms. Carper reviewing the bank statements. The answer was found largely in the inadequacy of the bank statements themselves. The bank statements that I and my secretary reviewed included copies of some, but not all, of the checks written on the account. Copies of checks payable to cash appear not to have been included. A second possibility is that Ms. Carper removed and destroyed the checks before the statements were distributed. And, in many instances, the bank statements failed to disclose the serial numbers of checks written on the account, listing the number for several checks as "000." The Committee had since made arrangements with the bank for more informative and accurate bank statements, which will include copies of all checks written on the Committee's account. The Committee has also assigned an employee, other than the employee responsible for writing checks, the task of reconciling the bank statements with the Committee's accounting records.

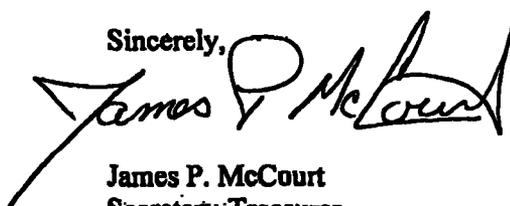
After discovering the misappropriation of funds, the Insulators notified the Department of Labor which enforces that part of the Labor-Management Reporting and Disclosure Act making the embezzlement of union funds a federal crime. 29 U.S.C. § 501(c). The Department of Labor is investigating that crime and the Committee and the Insulators are cooperating fully in that investigation. The Insulators also notified the bonding company that insures the union against the misappropriation of funds, a policy required by federal law, and PNB, the bank whose employees cashed hundreds of checks payable to cash, contrary to its policy regarding such checks. PNC is currently investigating the payment of those checks, in part to determine whether a bank employee assisted Ms. Carper in embezzling Committee funds.

That embezzlement took place despite the presence of most of the internal controls referenced in the Commission's statement of policy. The Committee had one bank account and that account was opened in the name of the Committee. The bank statements were reviewed by people other than the employee responsible for preparing checks. Bank deposits were made by people other than the employee responsible for receiving and recording receipts. All checks required written authorization and two signatures (although the capability existed for using the Committee's computer software to apply those signatures). Those safeguards, however, failed to prevent Ms. Carper from misappropriating Committee funds.

Because the Committee did not violate the FECA - indeed, the Committee was the victim of a crime, rather than a wrongdoer - this letter should not be deemed a self-reporting of a campaign finance violation. Nevertheless, I note that several of the factors that, according to the Commission's statement of policy regarding self reporting, militate against the imposition of a penalty are present here. With respect to the Committee, there was neither a knowing nor a willful violation. The conduct at issue was not intended to advance the Committee's interest. There were internal controls in place, but in this instance those controls failed. At the time the embezzlement was discovered, it had already ceased because the employee who had engaged in that embezzlement had already been discharged. The misappropriation of funds was fully disclosed to the Commission and to other authorities. And, to avoid any future misappropriation of funds, the Committee has arranged for more informative bank statements and has assigned to an employee other than the secretary responsible for preparing checks the task of reconciling the bank statements with the Committee's accounting records.

I have tried in this letter to present you with all available relevant information. As I explained to your staff employees, the Committee is committed to cooperating with your office in any investigation that you conduct. If you would like additional information, please let me know.

Sincerely,



James P. McCourt  
Secretary-Treasurer

JPM:tzh

Int'l Association of the ~~Fire~~ Frost Insulators & Asbestos Workers

12/20 <sup>Bus</sup> ~~Assistant~~ Robert Kurnick / <sup>Bus</sup> James P. McCourt 100.m.  
Att. (treasurer)

RAD suggested they self-report

Embezzled funds from ~~union's~~ <sup>union's affiliated</sup> SSF

~~Oct 11~~ Union - 20K members

Oct 11 - Discovered that ~~the~~ <sup>denial</sup> secret embezzling from 6/09 -> 2/11

Confidential  
that this  
is the  
period

Writing checks to cash, then cashing  
- Over 300 checks  
- \$499,200 amt. embezzled

Inside job @ bank? Bank wouldn't  
normally cash checks made  
to cash

Cashed checks @ different branch

-> Called DOL ~~the~~ embezzling  
union funds is crime

-> Working w/ PNC Bank <sup>to they</sup>

-> Bonding company <sup>idea</sup>

thinks still be prosecuted <sup>to DO</sup>  
<sup>by USAF</sup>

LTR & Disc. Act  
requires  
bonding of  
all \$ up to  
\$500K.

And - Anyone who wants to contribute  
to SSF <sup>authorized</sup> contribute to  
SSF

signed  
and

PB - is controls of

Bob - Internal controls in place

Embezzles

Cora  
Carper

Been there 10 yrs. Has counsel. Sued  
May 2011 - failed  
drug test.

- Bank statements should have gone to 4 people, but didn't (Carper intercepted them)
  - Checks did have #s, but statement would not show ~~the~~ all of them. Bank said SSF's ~~system~~ deal w/ bank didn't give back all of them
  - Carper was supposed to give copies to Bud, <sup>General</sup> President, and President
- Kathy → lying. (Jim) (Grogan)  
Some distributed, some not.

Don't want  
to fill the  
spots?

SSF believes it's a victim. Reports  
are off by approximately the amt  
stolen.

Bud - went back five years  
It appears Carper tried to  
match up to contributions the  
SSF actually made. ~~that~~

322 checks

PB - Reconciliation ~~by~~ b/w reports and  
bank statements.

COH is off by amt stolen

Greenbelt branch of PNC

Against bank policy to cash checks  
from for cash from a fund  
like that.

Therese Bahr - handles PAC funds

Cora - in charge of clerical duties re:  
PAC funds. She ~~is~~ rec'd checks  
for PAC funds. Prepare a/c  
checks. Enter receipts + exp.  
into computer. Would generate  
reports.

Bob created TEC reports based on  
Cora's reports.

Who → reports + computer reports  
matched. But reports were  
~~being~~ prepared by Cora and  
were false.

Had been assigned to political fund  
for long time.

Who ~~has~~ came back from rehab,  
no longer involved w/ PAC fund



James P. McCourt Bud  
GENERAL SECRETARY-TREASURER

International Association  
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and Asbestos Workers

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