



FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

MAY 26 2006

**BY HAND**

Kenneth Phelps

Woodbridge, Virginia 22192

RE: MUR 5721

Dear Mr. Phelps:

On March 21, 2006, the Federal Election Commission ("Commission") found that there is reason to believe you knowingly and willfully violated 2 U.S.C. §§ 432(b)(3) and (c)(5), 434(b)(4) and (6)(B)(v) and 11 C.F.R. § 104.3(b), provisions of the Federal Election Campaign Act of 1971, as amended (the "Act"). These findings were based upon information ascertained in the normal course of carrying out its supervisory responsibilities. *See* 2 U.S.C. § 437g(a)(2). The Factual and Legal Analysis, which more fully explains the Commission's findings, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred.

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. *See* 18 U.S.C. § 1519.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be

27044182239

demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Jin Lee, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,



Michael E. Toner  
Chairman

Enclosures

Factual and Legal Analysis

Procedures

Designation of Counsel Form

27044182240

# FEDERAL ELECTION COMMISSION

## FACTUAL AND LEGAL ANALYSIS

**RESPONDENT:** Kenneth Phelps, in his personal capacity

**MUR:** 5721

### **I. INTRODUCTION**

This matter originated with information ascertained by the Commission in the ordinary course of its supervisory responsibilities. Based upon such information and the analysis below, there is reason to believe that Kenneth Phelps knowingly and willfully violated 2 U.S.C. §§ 432(b)(3), (c)(5), 434(b)(4), (6)(B)(v) and 11 C.F.R. § 104.3(b) by failing to accurately account for and report disbursements made to himself totaling \$170,000 and by commingling political committee funds with his own personal funds.

### **II. FACTUAL AND LEGAL ANALYSIS**

The factual and legal basis for the findings contained herein is set forth in the attached Audit Report, Attachment 1, and in the discussion below.

Because Phelps, as the former Assistant Treasurer of LMEPAC, performed many of the duties of a treasurer, Phelps should be held personally liable for reporting violations resulting from his embezzlement scheme.<sup>1</sup> Under the Act, a treasurer is required to keep an account of the name, address, date, amount and purpose of each disbursement made by a committee and to keep copies of receipt invoices or cancelled checks for disbursements that exceeded \$200.<sup>2</sup> U.S.C. § 432(c)(5). In addition, a treasurer is required to file reports with the Commission that discloses such information and that reports the total amount of committee disbursements.<sup>2</sup> U.S.C. §§ 434(a)(1), (b)(4)(H)(v), (b)(6)(B)(v); 11 C.F.R. § 104.3(b). Where an assistant

---

<sup>1</sup> According to the Commission's Statement of Policy Regarding Treasurers Subject to Enforcement Proceedings, a former treasurer or assistant treasurer may still be named as a respondent in his or her personal capacity when it appears he or she may, while serving as a treasurer or assistant treasurer, have violated obligations imposed by the Act or regulations personally on a treasurer and where, among other situations, the violation was knowing and willful.

treasurer performed the duties of a treasurer, the assistant treasurer may be held personally liable for failing to meet the requirements of the treasurer.

Although Stephen Chaudet was LMEPAC's Treasurer, Phelps appears to have performed the duties of the treasurer by depositing funds received into Committee bank accounts, completing disclosure forms, signing reports, and filing them with the Commission. Phelps violated the above provisions of the Act when he issued payments to himself, knowingly and willfully falsified those disbursements in Committee records to hide his fraudulent scheme, and failed to report them to the Commission. Based upon Phelps' wrongdoing, LMEPAC terminated him, and according to news reports, it appears that Phelps has admitted to his embezzlement of committee funds. *See Richard Whittle, Lockheed Accuses Worker of Looting, Dallas Morning News, Jan. 28, 2004.*

Second, Phelps became personally liable for violations of the Act by commingling committee funds with his personal funds through his embezzlement scheme. The Act prohibits the commingling of committee funds with "the personal funds of any individual," 2 U.S.C. § 432(b)(3), including officers of a committee. *See* 11 C.F.R. § 102.15. In prior matters, the Commission has made reason to believe and probable cause findings for commingling where an individual has misappropriated committee funds. *See, e.g.,* MUR 2602 (Rhodes) (finding probable cause to believe that the Act was violated when committee funds were deposited into the candidate's personal account; MUR 3585 (Tsongas) (finding probable cause to believe that committee's chief fundraiser knowingly and willfully violated the Act by commingling campaign contributions with personal funds). By designating himself as the payee of checks drawn on LMEPAC's accounts, Phelps improperly transferred committee funds for his own

27044182242

personal use and, in so doing, commingled committee fund with his own funds in violation of 2 U.S.C. § 432(b)(3).

### III. CONCLUSION

Accordingly, the Commission finds reason to believe that Kenneth Phelps knowingly and willfully violated 2 U.S.C. §§ 432(b)(3), (c)(5), 434(b)(4), (6)(B)(v), and 11 C.F.R. § 104.3(b).

Attachment:

1. Audit Report

27044182243

# **ATTACHMENT 1**

27044182244



# Report of the Audit Division on the Lockheed Martin Employees' Political Action Committee

January 1, 2001 - December 31, 2002

## Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## About the Committee (p. 2)

Lockheed Martin Employees' Political Action Committee (LMEPAC) is a separate segregated fund. LMEPAC qualified for multi-candidate status on May 19, 1995 and is headquartered in Arlington, Virginia. For more information, see chart on Committee Organization, p.2.

## Financial Activity (p. 2)

- **Receipts**
  - Contributions from Individuals \$ 1,042,820
  - Other Receipts 2,708
  - **Total Receipts** \$ 1,045,528
- **Disbursements**
  - Contributions to Federal Candidates & Committees \$ 987,418
  - Operating Expenditures 97,430
  - Other Disbursements 17,495
  - **Total Disbursements** \$ 1,102,343

## Findings and Recommendations (p. 3)

- Disclosure of Operating Expenditures (Finding 1)
- Misstatement of Financial Activity (Finding 2)
- Failure to Maintain Contributor Payroll Deduction Authorizations (Finding 3)
- Timely Deposit of Contributions (Finding 4)

<sup>1</sup> 2 U.S.C. §438(b).

# Table of Contents

	Page
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
Changes to the Law	1
<b>Part II. Overview of Committee</b>	
Committee Organization	2
Overview of Financial Activity	2
<b>Part III. Summaries</b>	
Findings and Recommendations	3
<b>Part IV. Findings and Recommendations</b>	
Finding 1. Disclosure of Operating Expenditures	4
Finding 2. Misstatement of Financial Activity	6
Finding 3. Failure to Maintain Contributor Payroll Deduction Authorizations	7
Finding 4. Timely Deposit of Contributions	9

27044182246



## Part I Background

### Authority for Audit

This report is based on an audit of the Lockheed Martin Employees' Political Action Committee (LMEPAC), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

### Scope of Audit

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The disclosure of disbursements, debts and obligations.
5. The consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

### Changes to the Law

On March 27, 2002, President Bush signed into law the Bipartisan Campaign Reform Act of 2002 (BCRA). The BCRA contains many substantial and technical changes to the federal campaign finance law. Most of the changes became effective November 6, 2002. Except for the period November 7, 2002, through December 31, 2002, the period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are primarily those that were in effect prior to November 7, 2002.

## Part II

### Overview of Committee

#### Committee Organization

Important Dates	Lockheed Martin Employees' Political Action Committee
• Date of Registration	May 19, 1995
• Audit Coverage	January 1, 2001 – December 31, 2002
<b>Headquarters</b>	Arlington, Virginia
<b>Bank Information</b>	
• Bank Depository	1
• Bank Accounts	2 Federal Accounts
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Steve Chaudet
• Treasurer During Period Covered by Audit	Steve Chaudet
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

#### Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2001	\$ 55,579
o Contributions from Individuals	1,042,820
o Other Receipts	2,708
<b>Total Receipts</b>	<b>\$ 1,045,528</b>
o Contributions to Federal Candidates & Committees	987,418
o Operating Expenditures	97,430
o Other Disbursements	17,495
<b>Total Disbursements</b>	<b>\$ 1,102,343</b>
Cash on hand @ December 31, 2002	(\$ 1,236)

## Part III

### Summaries

#### Findings and Recommendations

##### **Finding 1. Disclosure of Operating Expenditures**

LMEPAC failed to accurately disclose sixty disbursements totaling \$69,500 to Mr. Kenneth Phelps, the Assistant Treasurer during the audit period. These items were unauthorized payments to Mr. Phelps, which LMEPAC disclosed as contributions and travel reimbursements to federal/non-federal candidates. LMEPAC complied with the Audit staff's recommendation by filing amended reports correctly disclosing these unauthorized disbursements. (For more detail, see p. 4)

##### **Finding 2. Misstatement of Financial Activity**

A comparison of LMEPAC's reported figures to its bank records revealed that cash-on-hand and disbursements had been misstated for calendar year 2001. LMEPAC complied with the Audit staff's recommendation by filing amended reports for calendar years 2001 and 2002 correcting the misstatements. (For more detail, see p. 6)

##### **Finding 3. Failure to Maintain Contributor Payroll Deduction Authorizations**

Based on a review of all payroll deduction authorization forms (PDAs) provided by LMEPAC, the Audit staff determined PDAs were not available for 42% of the contributors. In response to the interim audit report, LMEPAC provided a description of policy changes implemented to ensure that such authorizations are maintained in the future and have taken measures to obtain the missing PDAs noted above. (For more detail, see p. 7)

##### **Finding 4. Timely Deposit of Contributions**

The Audit staff determined that 54% of the contributions included in the payroll transmittal checks, as well as the individual contribution checks, were not deposited timely. In response to the interim audit report, LMEPAC stated that internal control procedures have been established and implemented to correct this problem. (For more detail, see p. 9)

## Part IV

# Findings and Recommendations

### Finding 1. Disclosure of Operating Expenditures

#### Summary

LMEPAC failed to accurately disclose sixty disbursements totaling \$69,500 to Mr. Kenneth Phelps, the Assistant Treasurer during the audit period. These items were unauthorized payments to Mr. Phelps, which LMEPAC disclosed as contributions and travel reimbursements to federal/non-federal candidates. LMEPAC complied with the Audit staff's recommendation by filing amended reports correctly disclosing these unauthorized disbursements.

#### Legal Standard

**Reporting Operating Expenditures.** When operating expenditures to the same person exceed \$200 in an election cycle, the committee must report the:

- Amount;
- Date when the expenditures were made;
- Name and address of the payee; and
- Purpose (a brief description of why the disbursement was made). 2 U.S.C. §434(b)(5)(A) and 11 CFR §104.3(b)(3)(i).

#### Background

Mr. Kenneth Phelps was the Assistant Treasurer of LMEPAC from August 11, 1997 to February 24, 2004. Mr. Phelps was responsible for the following: depositing contributions; receiving and opening bank statements; preparing and disbursing checks (which were required to have two signatures); data entering the information to create the FEC disclosure reports; and, maintaining all bank records. A Lockheed Martin Corporation internal audit report dated June 2001 recommended that some of the duties performed by the Assistant Treasurer should be assigned to other staff to ensure assets are safeguarded. It appears LMEPAC did not reassign any of Mr. Phelps' responsibilities. In October 2001, Mr. Phelps began writing checks, which according to LMEPAC officials were for unauthorized disbursements to himself. During the period covered by the audit, these 'unauthorized' disbursements totaled \$89,500.<sup>2</sup> As discussed below, \$69,500 was inaccurately disclosed and \$20,000 was not reported at all (See Finding 2). LMEPAC officials stated they were unaware of this activity until communication between the Audit staff and the Treasurer of LMEPAC regarding the upcoming Commission audit. It was at this point that LMEPAC officials discovered that Requests for Additional Information Letters from the Commission's Reports Analysis Division had not been addressed by the Assistant Treasurer. Upon discovery of Mr. Phelps' misappropriation of funds, LMEPAC stated they began an investigation and implemented procedures to improve its internal controls.

<sup>2</sup> There were additional unauthorized disbursements made subsequent to the period covered by the audit.

### **Facts and Analysis**

LMEPAC reported sixty disbursements totaling \$69,500 as either contributions or travel reimbursements to federal/non-federal candidates. The disbursements were actually 'unauthorized' disbursements to Mr. Phelps. According to the LMEPAC officials, Mr. Phelps issued these checks to himself without knowledge or approval from the Treasurer.

At the exit conference, LMEPAC representatives were given a schedule detailing the disclosure errors. They stated they would file amended reports to correct the errors.

### **Interim Audit Report Recommendation**

The Audit staff recommended that LMEPAC:

- Amend its reports to correctly disclose the 'unauthorized' disbursements made to Mr. Phelps; and,
- Provide any additional information that addressed:
  - The efforts of LMEPAC to prevent the misreporting of disbursements (i.e., safeguards and internal controls);
  - The details of when and how LMEPAC officials learned of the 'unauthorized' disbursements; and,
  - The identities of the individuals responsible for establishing the duties of the LMEPAC assistant treasurer position.

### **Committee Response to Recommendation and Audit Staff's Assessment**

In response, LMEPAC filed amended reports correctly disclosing the unauthorized disbursements made to Mr. Phelps and provided additional information regarding the actions taken by Mr. Phelps and LMEPAC.

LMEPAC Counsel (Counsel) stated that the Treasurer was not aware of the unauthorized disbursements until he was contacted by the Audit staff in December 2003 regarding the commencement of the audit. Prior telephone calls and correspondence from the Commission had been intercepted by Mr. Phelps. Furthermore, Counsel stated that LMEPAC officials believed the recommendations provided in the June 2001 Lockheed Martin Corporation Internal Audit Report had been implemented by Mr. Phelps. As a result of the internal audit report, Mr. Phelps was instructed by the Treasurer to outsource the administration of LMEPAC. Mr. Phelps repeatedly assured the Treasurer that this outsourcing was 'in process' and was being delayed because of firewall security issues. Eventually, Mr. Phelps informed LMEPAC officials that the outsourcing was complete and consequently no further action was taken by LMEPAC officials. Once LMEPAC officials were made aware of Mr. Phelps "embezzlement scheme," immediate internal controls and safeguards were incorporated in the administration of the LMEPAC's operations. The disbursement process was de-centralized by check requests being made in one location and the checks being issued in another location. Monthly LMEPAC bank statements were re-directed to the corporate accounting office and an independent reconciliation was completed. Moreover, LMEPAC by-laws were amended to require an audit by an independent accounting firm and federal election law counsel once a year.

## Finding 2. Misstatement of Financial Activity

### Summary

A comparison of LMEPAC's reported figures to its bank records revealed that cash-on-hand and disbursements had been misstated for calendar year 2001. LMEPAC complied with the Audit staff's recommendation by filing amended reports for calendar years 2001 and 2002 correcting the misstatements.

### Legal Standard

**Contents of Reports.** Each report must disclose:

- The amount of cash on hand at the beginning and end of the reporting period;
- The total amount of receipts for the reporting period and for the calendar year; and
- The total amount of disbursements for the reporting period and for the calendar year.
- Certain transactions that require itemization on Schedule B (Itemized Disbursements).  
2 U.S.C. §§434(b)(1), (2) and (4).

### Facts and Analysis

The Audit staff reconciled LMEPAC's reported activity to its bank records and determined that there was a misstatement of cash on hand and disbursements for calendar year 2001. The following chart details the discrepancies between the totals on LMEPAC's disclosure reports and the bank records.

2001 Committee Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance at January 1, 2001	\$62,116	\$55,579	\$6,537 overstated
Receipts	\$492,554	\$492,554	\$0
Disbursements	\$539,533	\$552,543	(\$13,010) understated
Ending Cash Balance at December 31, 2001	\$15,138	(\$4,409)	\$19,547 overstated

### Disbursements – 2001

The understatement of disbursements was the result of the following:

• Payments Not Reported - LMEPAC did not report eight 'unauthorized' disbursements to Mr. Phelps (Assistant Treasurer).	+ \$	13,000
• Bank Service Charge Not Reported	+	10
<b>Total Understatement</b>	<b>\$</b>	<b>\$13,010</b>

## Cash Balances

### Opening Cash Balance at 2001

This misstatement is likely due to reporting errors in prior periods. LMEPAC was unable to be more specific.

### Ending Cash Balance at 2001

The ending cash balance was understated due to the unexplained difference of \$6,547, as well as, the misstatements noted above. This cash misstatement was carried through December 31, 2002.

Further during 2002, LMEPAC did not report 'unauthorized' disbursements to Mr. Phelps totaling \$7,000 and a payment to the Registry of Election Finance for \$5,000. The Audit staff informed LMEPAC officials of these errors.

During the exit conference the Audit staff provided LMEPAC representatives a schedule detailing the misstatements of financial activity. They stated they would amend their reports to correct the public record.

### Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that LMEPAC amend its disclosure reports to correct the misstatements noted above.

LMEPAC complied by filing amended reports for calendar years 2001 and 2002 correcting the misstatements.

## **Finding 3. Failure to Maintain Contributor Payroll Deduction Authorizations**

### Summary

Based on a review of all payroll deduction authorization forms (PDAs) provided by LMEPAC, the Audit staff determined PDAs were not available for 42% of the contributors. In response to the interim audit report, LMEPAC provided a description of policy changes implemented to ensure that such authorizations are maintained in the future and have taken measures to obtain the missing PDAs noted above.

### Legal Standard

**Recordkeeping.** Each political committee or other person required to file any report or statement under this subchapter shall maintain all records relevant to such reports and statements. Records to be maintained with respect to the matters required to be reported, include bank records, vouchers, worksheets, receipts, bills and accounts, which shall provide in sufficient detail the necessary information and data from which the filed reports and statements may be verified, explained, clarified, and checked for accuracy and completeness. The Commission has determined that, under 11 CFR § 104.14(b)(1), separate segregated funds established pursuant to Part 114 of the Commission's rules

must maintain copies of Payroll Deduction Authorizations for each individual who makes any contribution(s) via automatic payroll deduction. *See, e.g.* MUR 4955 (Metropolitan Life). 11 CFR §104.14(b)(1).

### **Facts and Analysis**

The Audit staff reviewed all PDAs provided by LMEPAC both during the audit and subsequent to the conference held at the end of fieldwork. LMEPAC contacted Lockheed Martin Corporation's various payroll centers to obtain the PDAs. According to the Treasurer, Lockheed Martin Corporation merged with numerous companies in recent years, therefore, the PDAs were not always maintained at one location.

The review revealed that LMEPAC did not maintain 42% (1,272 of 3,015<sup>3</sup>) of PDAs required to be maintained. They submitted 14% of the PDAs during fieldwork and 44% of the PDAs following the exit conference.

### **Interim Audit Report Recommendation**

The Audit staff recommended that LMEPAC demonstrate its compliance with the recordkeeping requirements and attempt to obtain replacement PDAs for those employees whose authorizations could not be located. It was further recommended that in the future LMEPAC implement procedures to ensure that PDAs are complete and maintained in an auditable state. Copies of the procedural instructions were to be submitted with LMEPAC's response and were to include an action plan for implementation of the changes. Once these procedures were in place, the Audit staff could verify that they were adequate to assure compliance via follow-up audit work. Although LMEPAC may choose to maintain PDAs at the payroll centers, it was recommended that the copies of PDAs be maintained at the committee headquarters.

### **Committee Response to Recommendation and Audit Staff's Assessment**

LMEPAC stated the Lockheed Corporation and the Martin Marietta Corporation merged in 1995 and became Lockheed Martin Corporation. At the time of this merger there were multiple independent payroll centers in operation throughout the corporation. The following year, the Lockheed Martin Corporation acquired another company which also had numerous payroll locations. Because of the merger and the acquisition, the original PDAs were difficult to locate, especially for some employees who had been contributing for over twenty years. However, LMEPAC officials stated they used extensive resources to locate nearly 60% of the PDAs during the audit fieldwork.

In response to the interim audit report, LMEPAC officials stated they sent letters to individuals with missing PDAs who are still employed with Lockheed Martin Corporation and who are still active contributors.<sup>4</sup> LMEPAC was able to obtain 197 of these missing PDAs. Further, LMEPAC officials stated they were exploring a plan to obtain the PDAs electronically.

<sup>3</sup> This represents the number of contributors during the audit period.

<sup>4</sup> Of the 1,272 contributors missing PDAs, 633 are current active LMEPAC members.



To ensure compliance with the regulations, LMEPAC stated they have substantially merged all payroll systems into one location, have created a requirement that all PDAs be sent to the LMEPAC headquarters for permanent retention and have incorporated a review of the PDAs into the annual audit.

#### **Finding 4. Timely Deposit of Contributions**

##### **Summary**

The Audit staff determined that 54% of the contributions included in the payroll transmittal checks, as well as the individual contribution checks, were not deposited timely. In response to the interim audit report, LMEPAC stated that internal control procedures have been established and implemented to correct this problem.

##### **Legal Standard**

**Deposit of Receipts.** Within 10 days after the treasurer receives a contribution, it must be either:

- Returned to the contributor without being deposited; or
- Deposited into a committee bank account. 11 CFR §103.3

##### **Facts and Analysis**

The Audit staff reviewed all transmittal checks from payroll centers as well as individual contribution checks and determined that a majority of contributions was not deposited timely. The date on the check was compared to the date of deposit.<sup>5</sup> The number of days between the check date and deposit date ranged from 14 to 110 days for 54% (216 of 397) of the checks.

During the exit conference the Audit staff provided LMEPAC representatives a schedule detailing the information noted above. Representatives made no comment.

##### **Interim Audit Report Recommendation**

The Audit staff recommended that LMEPAC demonstrate that the transmittal and contribution checks were deposited timely or that internal control procedures have been established and implemented to correct this problem.

##### **Committee Response to Recommendation and Audit Staff's Assessment**

In response, Counsel stated that the untimely deposits were the result of twenty payroll systems at different locations which were on a monthly schedule rather than a 10-day cycle. Consequently, in March 2004, LMEPAC implemented a system in which all the payroll deposits were wired from one payroll location on a weekly basis. Additionally, the independent audit conducted each year (See Finding 1) will review the timeliness of deposits to insure compliance.

<sup>5</sup> LMEPAC did not maintain the date that it received contributions.