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January 31, 2022

VIA EMAIL

Federal Election Commission
Audit Division
1050 First Street, NE
Washington, DC 20463

**Re: Response to Draft Final Audit Report
Association for Emergency Responders and Firefighters
LRA 1113**

Dear Ms. Pacious:

We submit this Response to the Draft Final Audit Report (“DFAR”) provided by the Audit Division on January 11, 2022. AERF declines its option to request a hearing.

The Association for Emergency Responders and Firefighters (“AERF”) has operated as a nonconnected, expenditure-only political action committee since 2017. AERF uses independent expenditures to support candidates and politics at the local, state, and federal levels who support legislation for first responders including but not limited to: health care, mental health services, long-term assistance, and protection.

Prior to forming this committee, Treasurer Bob Piaro operated two successful 501(c)(3) organizations dedicated to combating veteran homelessness. One was based in Wisconsin (Veterans Assistance Foundation) and one was based in California (California Veterans Assistance Foundation). Both organizations provided housing assistance, including providing homes for veterans. It also provided assorted other assistance, such as assistance securing employment or food. Mr. Piaro formed Veterans Assistance Foundation in 1994 with the support of former Wisconsin Governor Tommy Thompson. Governor Thompson requested that Mr. Piaro establish and run a state-supported program in conjunction with the Wisconsin Department of Veterans Affairs. Mr. Piaro received a grant from the Wisconsin Department of Veterans Affairs to start the program. Mr. Piaro served as President and CEO of both organizations until 2016, when he transitioned his support for veterans issues into a political effort.

Unlike many PACs that operate behemoth organizations, Mr. Piaro formed AERF as a family-run committee supported only by Mr. Piaro and his two daughters, Michelle Hammen and Melissa Stetler. Both daughters are employed full-time as nurses. They engage in AERF related activities in addition to their full-time jobs.

A novice to the world of political campaigns at the time he founded AERF in 2017, Mr. Piaro engaged a small law firm based out of Milwaukee, Wisconsin to provide counsel and compliance advice related to Federal Election Commission statutes and regulations. The law firm presented itself to Mr. Piaro as experienced in the industry and Federal Election Commission matters. Unfortunately, the law firm's services during 2017 and 2018 were not satisfactory. It was during this time that AERF encountered numerous reporting issues. Without adequate legal counsel these issues accumulated. Mr. Piaro began to recognize these ongoing issues and, as a result, AERF ended its relationship with the former law firm and thereafter engaged Blank Rome LLP for legal matters.

As a small, family-run committee, AERF relies on the expertise and support of outside vendors. The vendors provide support in each one's area of expertise, including solicitations, marketing, and general fundraising. An accounting firm, EWH, provides accounting and related services. The required Federal Elections Commission reporting is provided by a reporting team that has improved at the reporting function over time.

Consequently, AERF has drastically improved its reporting procedures and performance over time. This improvement has coincided with ongoing efforts to develop and implement an effective filing software. After more than two years of effort and refinement, the FEC approved the filing software, PACSmart, that AERF's reporting team uses to file required reports. In addition, with the support of Blank Rome, the assorted vendors have continued to refine their practices to improve compliance, particularly as it relates to recordkeeping and reporting. Blank Rome and AERF have developed an Internal Control and Compliance Manual.

AERF has demonstrated the improvements to the process and procedures throughout this letter response. Each response to a finding includes not only a general explanation or response to the report finding, but also an explanation of the improvements to process and procedures as applied to the specific issue raised in each finding. AERF submits the following responses to each Draft Final Audit Report Finding.

I. Finding 1 – Increased Activity – 52 U.S.C. §30104(b)

During audit fieldwork, in addition to examining AERF's most recent reports filed prior to the audit notification, the Audit staff also compared AERF's originally filed reports with its bank records. The purpose of this additional reconciliation was to identify the degree to which AERF had misstated its original filings.

The Audit staff calculated that AERF understated its disbursements by \$769,804 on the original reports filed for the two-year period ending December 31, 2018. This understatement was primarily due to AERF's failure to disclose disbursements totaling \$628,383 on its originally filed 2018 April Quarterly and July Quarterly Reports.

The Audit staff discussed this matter with AERF representatives during the exit conference and provided the relevant schedule. In response to the exit conference, AERF stated that it has previously filed the necessary amended disclosure reports to correct the reporting errors. AERF explained that its original 2018 April Quarterly Report failed to disclose the payroll entries totaling \$83,367 and its 2018 July Quarterly Report was inadvertently uploaded without the corresponding disbursements totaling \$628,383. AERF stated that it has implemented “processes and procedures to avoid similar errors in the future.”

The Audit staff recommends that AERF provide any additional comments to the Draft Final Audit Report as it deems relevant to this matter.

A. Response

AERF continues to follow and refine the processes and procedures implemented in response to this FEC audit and assorted written reports. These improvements are described in detail below. To summarize, improvements continue to alleviate many of the errors that occurred in 2017 and 2018, including (1) communication and document sharing with AERF’s accounting firm, EWH; (2) the PACSmart filing software; and (3) procedures for reviewing materials required for FEC. Additionally, AERF’s current reconciliation processes have been largely effective at detecting issues before filing the required reports.

B. Implementation of Process and Improvements

AERF has implemented processes and procedures to avoid similar errors in the future. As an initial point, the improved communication between EWH and the reporting team, as well as the increased sharing of source documents required for filing, has alleviated many of the errors that occurred in 2017 and 2018. The reporting team now communicates with EWH, receives expenses and bank statements, and reconciles the amounts included on the expense reports compiled by EWH against the bank statements and other relevant financial data.

Likewise, the current reconciliation process would detect issues before filing the reports. The increased communication between the reporting team and EWH, and the monthly expense documents provided by EWH to the reporting team, have together greatly improved the process for reporting. For further detail, AERF and its reporting team have instituted the following improvements:

- ✓ Added a function to the PACSmart filing software that produces a color-coded variation report to detect differences between deposit and disbursement data in comparison to the bank statements.
- ✓ When populating the F3X form, the PACSmart filing software color codes the deposit and disbursement totals in comparison to the bank statements.

- ✓ Added a "Check for Problems" system into the PACSmart software. The system applies an array of tests, including a check that expenses are included, a warning if expenses are not included in the FEC report, a check that donations and deposits are uploaded into the report, checks for common and/or problematic descriptions for disbursements, checks for records missing addresses and/or names, and other common reporting issues.
- ✓ Integrated the FEC's "Validation Tool" to review the report to detect issues such as missing treasurer signature, missing name/address/employer/occupation, or other common reporting issues.
- ✓ Implemented a filename/upload tracking system to review the names/data for particular files that have been uploaded. This tool ensures that the reporting team has properly uploaded expenses to the report.
- ✓ Implemented a "Checklist" system to track the steps by the reporting team to prepare the FEC filing, who performed the task, and any relevant notes related to each step. The checklist includes a detailed breakdown and instructions to file the report.

Finding 2 – Recordkeeping for Disbursements and Use of Designated Depository – 11 C.F.R. §104.14 and 52 U.S.C. §30102(d) and (h)

A. Recordkeeping for Disbursements

The Audit staff reviewed 159 payments totaling \$2,240,253 that AERF disclosed to vendors. According to AERF's bank statements, however, AERF made 66 wire transfers totaling \$2,240,253 to "Er Responders." This appears to be the Association for Emergency Responders and Firefighters, LLC. AERF reported the disbursements as payments to vendors other than "Er Responders" on its disclosure reports but did not provide "Er Responders" bank statements to demonstrate that the funds transferred from AERF to "Er Responders" were used to pay the vendors disclosed on the reports. As a result, the Audit staff was unable to verify the accuracy and completeness of the reported activity.

The Audit staff discussed this matter with AERF representatives during the exit conference and provided relevant schedules. In response to the exit conference, AERF denied it violated the applicable regulations and stated that it properly disclosed disbursements to its vendors.

According to AERF:

- The vendors' statements presented in response to the exit conference demonstrate payment from AERF "to all vendors throughout all of 2018."
- Three vendors changed their names and addresses in August 2018 but "the payments from AERF to the vendors from August 2018 through December 2018 correlate to the vendor's invoice number."
- AERF stated it made a single ACH wire transfer to pay for all three vendors, as opposed to three separate wire transfers, "because the single wire was a more

cost effective and efficient way to transfer funds.” To support this assertion, AERF submitted an attachment detailing the invoices and payment amounts for three vendors.

- Lastly, AERF stated that it “object[s] to each of the findings that state AERF LLC was the payee of certain disbursements; these payments were properly made to the vendors as payees.”

In the Interim Audit Report, the Audit staff maintained that:

- AERF did not provide sufficient and verifiable records to demonstrate that the vendors disclosed on the reports were paid by way of the disbursements discussed in this finding. AERF’s bank statements indicate that the recipient of the wire transfers was a single entity titled “Er Responders.” This entity appears to be the Association for Emergency Responders and Firefighters, LLC. AERF only provided vendor statements to support that all billed amounts presented were paid. AERF provided no verifiable documentation to demonstrate whether “Er Responders” subsequently made the payments to the disclosed vendors.
- Changes to the new names and addresses of vendors should have been reflected in AERF’s disclosure reports. Unless such changes are disclosed, the public record is not accurate.
- The Association for Emergency Responders and Firefighters, LLC registered with the Nevada Secretary of State on November 20, 2017, 16 months after AERF registered with the Commission. In addition, while the Nevada Secretary of State discloses the LLC’s current status as “Revoked,” AERF’s Treasurer, was listed as one of the managers of the LLC, along with two family members and, according to the public record, this entity was formed as a domestic limited liability company.

On August 12, 2021, AERF provided a Response to the Interim Audit Report. On January 11, 2022, the Audit staff provided its Draft Final Audit Report. As it relates to Finding 2(A), the Audit staff recommends that AERF provide sufficient supporting and verifiable evidence to demonstrate that the 66 ACH transfers resulted in the 159 vendor payments AERF reported on its disclosure reports. Since it appears that AERF initiated the ACH transfers using its banking institution’s online banking portal, AERF can provide, for example, a debit memorandum or any similar electronic transaction receipt generated during the process for each ACH transfer. The Audit staff further recommends that, in addition to the aforementioned transfer documentation, AERF may also provide a written explanation from a bank official regarding how the transactions appear on its monthly bank statements and exactly how the funds were transferred.

B. Use of the Designated Depository

The Audit staff identified 159 payments totaling \$2,240,253 disclosed as payments to vendors which, according to AERF bank statements, were instead wire transfers to “Er Responders.” It appears AERF involved this entity in its financial operations and failed to use its designated depository to make payments directly to its vendors. AERF provided vendor statements to support that all billed amounts presented were paid to the vendors, however, the Audit staff was unable to verify that the funds AERF transferred to “Er Responders” were subsequently transmitted to AERF’s disclosed vendors.

The Audit staff discussed this matter with AERF representatives during the exit conference. In its written response to the exit conference, AERF did not address AERF’s failure to use its designated depository to make payments to its vendors.

In the Interim Audit Report, the Audit staff recommended that AERF provide bank statements to support that the disclosed vendors were paid with the funds transferred from AERF’s bank account to “Er Responders” with the description of “ACH Settlement Vendor Pay Er Responders.” The Interim Audit Report further recommended that AERF explain why its designated depository was apparently not used to make the direct payments to the disclosed vendors.

In AERF’s Response to the Interim Audit Report, AERF disagreed with the Audit staff’s conclusion and maintained that the ACH transfers were made from its designated depository, as discussed in Part A above. The Audit staff maintains that AERF did not provide sufficient supporting and verifiable evidence to support that the disclosed vendors were paid with the funds transferred from the AERF’s bank account.

The Audit staff recommends AERF provide sufficient supporting and verifiable evidence, such as debit memorandum or similar electronic receipt for each payment to demonstrate that the 66 ACH transfers initiated by AERF resulted in the 159 vendor payments reported on its disclosure reports.

A. Response

While AERF acknowledges the existence of the Association for Emergency Responders and Firefighters, LLC, it denies that this company was the payee of any ACH wire transfers from AERF. During the period in question, for each of the ACH wire transfers made from AERF’s designated depository with the stated vendors as intended recipients, PNC labeled the transfers “ACH Settlement Vendor Pay Er Responders.” However, this label was created solely by the PNC, and does not reflect payment to the Association for Emergency Responders and Firefighters, LLC, nor to any entity or entities other than the intended vendors. Although the FEC requested that AERF provide a statement from a bank official to explain the labeling of transactions, AERF was

unable to do so given the January 31st deadline. On January 26, 2022, AERF requested an extension of the deadline to respond so that it could obtain any information available, including such a statement, but the FEC denied that written extension request.

The labeling of the wire transfers occurred as part of the process by which funds were transferred directly from AERF's designated depository to the vendors in question. For each payment to a vendor, only one transfer occurred—the payment from AERF to the vendor, though it may have appeared that two transfers were being made—one from AERF's designated depository to "Er Responders" (or, as the Audit staff has baselessly claimed, the LLC) and one from "Er Responders" to each of the vendors—because of the bank's internal recordkeeping practice. Because this labeling process is controlled by the bank, AERF's ability to more clearly demonstrate the direct flow of funds from its designated depository to the vendors is limited. Nonetheless, AERF produced Exhibit A to its Response to the Interim Audit Report which included statements of payments from AERF to vendors throughout 2018. And, in addition, AERF produced with that response a sharefile link that included redacted bank statements provided by the vendors to whom AERF wired the payments. These bank statements further bolstered and evidenced AERF's contention that the wire transfers in question went from AERF to the corresponding vendors.

Regarding the Audit staff's request for verifiable evidence, AERF has obtained and produced contemporaneous with this Response the following:

- Un-Redacted Financial Statements from November and December for all three vendors from the Nevada State bank, including the recipient's name, bank account number, and the amount transferred;
- Un-Redacted Financial Statements from January 2018 to August 2018 for all three vendors from PNC, including the recipient's name, bank account number, and the amount transferred;
- Un-Redacted Financial Statements that reflecting payments from TPFE Inc. prior to the vendor switch, including the recipient's name, bank account number, and the amount transferred;
- Un-Redacted Financial Statements reflecting payments from American Tech from Bank of America, including the recipient's name, bank account number, and the amount transferred;
- Quickbooks Report verifying AERF's payment transaction to "ER RESPONDERS"—the report has the same invoice identification code [REDACTED] as the bank statement reflecting the payment transaction to "ER RESPONDERS"; and
- 2018 AERF Quickbooks accounting statements describing specific payment transactions, including the date of each transaction, the amount of each transaction,

and AERF's total balance after those transactions took place—below is a list of the vendors included in these particular accounting statements:

- American PCI Services
- American Technology Services
- Cloud Data Services
- Compliance Consultants LLC
- Unified Data Services LLC
- Unlimited Tech Support

The financial statements listed above establish that AERF did in fact make the disbursements from its bank account directly to its vendors' bank accounts.

Furthermore, AERF objects to the Audit staff's continued unsupported contention that the wire transfers in question went to the Association for Emergency Responders and Firefighters, LLC. Although the Audit staff concludes that this is the case, it has not provided any factual evidence or rationale to demonstrate how it has determined that the wire transfers were sent to the LLC. Rather, it appears the Audit staff has simply decided that the wire transfer must have gone to the LLC because the transaction on the bank statement includes the "Er Responders" language. The Audit staff has not demonstrated any actual link between the wire transfer and the LLC, other than the mere existence of the LLC. In contrast, AERF has continuously provided evidence to verify its position, including bank statements and vendor payment receipts from the vendors.

The bank statements show that the ACH transfers were completed typically within 24–48 hours. Simply put, if the LLC or any third party had received the ACH funds and then sent the ACH funds to the vendors, the transactions would have taken longer than 24–48 hour period. The vendors received payments the day or two after the ACH was initiated, and if there was a middleman or third party, the transfer would not have occurred as fast as it did.

On the basis of the foregoing, as well as the additional information and documentation provided along with this Response and to the Response the Interim Audit Report, the Audit Division should withdraw its finding related to recordkeeping for disbursements and use of designated depository.

B. Implementation of Process and Improvements

Upon AERF's request, EWH no longer sends single transfers comprised of funds directed to multiple vendors, and instead makes separate transfers for each vendor.

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Please reach out with any questions.

Respectfully submitted,

/s/ Mark M. Lee

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Encs.

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