



Interim Audit Report of the Audit Division on the Association for Emergency Responders and Firefighters (January 1, 2017 - December 31, 2018)

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.¹ 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. 3)

The Association for Emergency Responders and Firefighters is a non-connected, independent expenditure-only committee headquartered in Milwaukee, Wisconsin. For more information, see the chart on the Committee Organization p. 3.

Financial Activity (p. 3)

• Receipts	
○ Contributions from Individuals	\$ 3,072,808
○ Transfers from Affiliated/Other Party Committees	59,119
Total Receipts	\$ 3,131,927
• Disbursements	
○ Operating Expenditures	\$ 2,949,339
○ Transfers to Affiliated/Other Party Committees	113,000
○ Contribution Refunds	495
○ Independent Expenditures	0 ²
Total Disbursements	\$ 3,062,834

Findings and Recommendations (p. 4)

- Increased Activity (Corrected) (Finding 1)
- Recordkeeping for Disbursements and Use of Designated Depository (Finding 2)

¹ 52 U.S.C. §30111(b).

² The Association for Emergency Responders and Firefighters made no independent expenditures during the 2017- 2018 election cycle.



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Part I

Background

Authority for Audit

This report is based on an audit of the Association for Emergency Responders and Firefighters (AERF), 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 52 U.S.C. §30111(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 52 U.S.C. §30104. 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. 52 U.S.C. §30111(b).

Scope of Audit

Following Commission-approved procedures, the Audit staff evaluated various risk factors and as a result, this audit examined:

1. the disclosure of individual contributors' occupation and name of employer;
2. the disclosure of disbursements;
3. the consistency between reported figures and bank records;
4. the completeness of records;
5. the disclosure of independent expenditures; and
6. other committee operations necessary to the review.

Limitations

AERF did not comply with the provision of §104.14(b)(1), which requires committees to maintain sufficiently detailed records in order to verify the filed reports. AERF reported 159 disbursements totaling \$2,240,253 as payments to vendors. However, the Audit staff found that AERF's bank statements reflected 66 wire payments for this same amount to an entity annotated as "Er Responders." The bank statements described each transaction as "ACH Settlement Vendor Pay Er Responders." This entity appears to be the Association for Emergency Responders and Firefighters, LLC.³ AERF provided vendor statements showing that all billed amounts were paid, presumably suggesting that "Er Responders" used the funds wired from AERF to pay the vendors. AERF has not provided any AERF or "Er Responders" bank records to support that the funds were used to pay the vendors disclosed on AERF's disclosure reports. (See Finding 2A).

Further, AERF may have violated 52 U.S.C. § 30102(h) and 11 C.F.R. § 103.3(a), which require committees to make all disbursements, except those for petty cash, through checks drawn on a

³ Based on the results of the Office of General Counsel's Business Entity Search on <https://esos.nv.gov/EntitySearch/OnlineEntitySearch>. In its response to the exit conference, AERF objected to "each of the findings that state AERF LLC was the payee of certain disbursements." See Finding 2.

designated depository account. AERF routed its funds through the “Er Responders” bank account before purportedly disbursing these funds to the vendors. The Audit staff, in absence of the “Er Responders” bank statements, was unable to identify the composition of the funds in that bank account. As a result, AERF may have impermissibly commingled its funds with the personal funds of an individual or with corporate funds. (See Finding 2B).

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	July 27, 2016
• Audit Coverage	January 1, 2017 - December 31, 2018
Headquarters	Milwaukee, Wisconsin
Bank Information	
• Bank Depositories	One
• Bank Accounts	One checking account
Treasurer	
• Treasurer When Audit Was Conducted	Robert Piaro
• Treasurer During Period Covered by Audit	Robert Piaro (8/16/17 - Present) Thomas Heitman (7/27/16 - 8/15/17)
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2017	\$ 156
Receipts	
○ Contributions from Individuals	3,072,808
○ Transfers from Affiliated/Other Party Committees	59,119
Total Receipts	\$ 3,131,927
Disbursements	
○ Operating Expenditures	2,949,339
○ Transfers to Affiliated/Other Party Committees	113,000
○ Contribution Refunds	495
○ Independent Expenditures	0
Total Disbursements	\$ 3,062,834
Cash on hand @ December 31, 2018	\$ 69,249

Part III

Summaries

Findings and Recommendations

Finding 1. Increased Activity (Corrected)

A comparison of AERF's bank activity with its originally filed reports revealed that disbursements were understated by \$769,804 for calendar years 2017 and 2018. The Audit staff recommends that AERF provide any additional comments it deems relevant to this matter. (For more detail, see p. 5.)

Finding 2. Recordkeeping for Disbursements and Use of Depository

During audit fieldwork, the Audit staff identified payments totaling \$2,240,253 which AERF wired to "Er Responders," however, AERF reported these disbursements as payments to vendors on its disclosure reports. AERF did not provide any "Er Responders" bank statements to demonstrate that these payments were subsequently transmitted to the disclosed vendors. The Audit staff recommends that AERF provide supporting evidence, such as bank statements, that the disclosed vendors were paid with the funds transferred from AERF's bank account to "Er Responders."

In addition, AERF failed to use its designated depository to make payments to vendors. The Audit staff recommends that AERF explain why its designated depository was not used to make the direct payments to the vendors. (For more detail, see p. 6.)

Part IV

Finding and Recommendation

Finding 1. Increased Activity (Corrected)⁴

Summary

A comparison of AERF's bank activity with its originally filed reports revealed that disbursements were understated by \$769,804 for calendar years 2017 and 2018. The Audit staff recommends that AERF provide any additional comments it deems relevant to this matter.

Legal Standard

A. Reporting Requirements. All political committees other than authorized committees of a candidate shall file either:

- Quarterly reports in a calendar year in which a regularly scheduled general election is held, which shall be filed no later than the 15th day after the last day of each calendar quarter: except that the report for the quarter ending on December 31 of such calendar year shall be filed no later than January 31 of the following calendar year;
- A pre-election report, which shall be filed no later than the 12th day before (or posted by any of the following: registered mail, certified mail, priority mail having a delivery confirmation, or express mail having a delivery confirmation, or delivered to an overnight delivery service with an on-line tracking system, if posted or delivered no later than the 15th day before) any election in which the committee makes a contribution to or expenditure on behalf of a candidate in such election, and which shall be complete as of the 20th day before the election;
- A post-general election report, which shall be filed no later than the 30th day after the general election and which shall be complete as of the 20th day after such general election; and
- In any other calendar year, a report covering the period beginning January 1 and ending June 30, which shall be filed no later than July 31 and a report covering the period beginning July 1 and ending December 31, which shall be filed no later than January 31 of the following calendar year. 52 U.S.C. § 30104(a)(4)(A); or
- Monthly reports. 52 U.S.C. § 30104(a)(4)(B).

B. 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;
- The total amount of disbursements for the reporting period and for the calendar year; and

⁴ This finding was presented to AERF as "Increased Financial Activity" during the exit conference; however, the Commission has since voted to change the title of such findings to "Increased Activity (Corrected)."

- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 52 U.S.C. §30104 (b)(1),(2),(3),(4) and (5).

Facts and Analysis

A. Facts

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.

B. Interim Audit Report & Audit Division Recommendation

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, within 30 calendar days of service of this report, AERF provide any additional comments it deems relevant to this matter.

Finding 2. Recordkeeping for Disbursements and Use of Designated Depository

Summary

During audit fieldwork, the Audit staff identified payments totaling \$2,240,253 which AERF wired to "Er Responders," however, AERF reported these disbursements as payments to vendors on its disclosure reports. AERF did not provide any "Er Responders" bank statements to demonstrate that these payments were subsequently transmitted to the disclosed vendors. The Audit staff recommends that AERF provide supporting evidence, such as bank statements, that the disclosed vendors were paid with the funds transferred from AERF's bank account to "Er Responders."

In addition, AERF failed to use its designated depository to make payments to vendors. The Audit staff recommends that AERF explain why its designated depository was not used to make the direct payments to the vendors.

Legal Standard

A. Formal Requirements Regarding Reports and Statements. Each Political Committee shall maintain records with respect to the matters required to be reported which shall provide in sufficient detail the necessary information and data from which the filed reports may be verified, explained, clarified, and checked for accuracy and completeness. 11 CFR §104.14(b)(1).

B. Required Records for Disbursements. For each disbursement, the treasurer of a political committee must keep records on the:

- Amount;
- Date;
- Name and address of the payee⁵;
- Purpose (a brief description of why the disbursement was made—see below); and
- If the disbursement was made on behalf of a candidate, the candidate's name and the office sought by the candidate.
- If the disbursement was in excess of \$200, the records must include a receipt or invoice from the payee, or a cancelled check or share draft to the payee. If the disbursement was by credit card, the record must include the monthly statement or customer receipt and the cancelled check used to pay the credit card bill. 52 U.S.C. §30102(c)(5) and 11 CFR §102.9(b).

C. Required Supporting Evidence. For any single disbursement that exceeds \$200, the treasurer must also keep a receipt, an invoice, or a canceled check. 52 U.S.C. §30102(c)(5).

D. Preserving Records and Copies of Reports. The treasurer of a political committee must preserve all records and copies of reports for 3 years after the report is filed. 52 U.S.C. §30102(d).

E. Depositories. Each political committee shall designate one or more state banks, federally chartered depository institutions (including a national bank), or depository institutions, the deposits or accounts of which are insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration, as its campaign depository or depositories. Each political committee shall maintain at least one checking account or transaction account at one of its depositories. 52 U.S.C. §30102(h)(1) and 11 CFR §103.2.

F. Disbursements from the Depository. A committee shall make all disbursements by check or similar drafts drawn on an account at its designated campaign depository, except for expenditures of \$100 or less made from a petty cash fund maintained pursuant to 11 CFR §102.11. Funds may be transferred from the depository for investment purposes, but shall be returned to the depository before such funds are used to make expenditures. 11 CFR §103.3(a).

⁵ The payee is usually the person providing the goods or services to the committee. In the case of travel advances, however, the payee is the person receiving the advance. 11 CFR §102.9(b)(2).

Facts and Analysis

A. Recordkeeping for Disbursements

1. Facts

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.³ 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. (See Limitations, p.1.)

2. Interim Audit Report & Audit Division Recommendation

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."

The Audit staff maintains 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.³ 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,"³ 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.

The Audit staff recommends that, within 30 calendar days of service of this report, AERF provide supporting and verifiable evidence, such as bank statements, that the disclosed vendors were paid with the funds transferred from AERF's bank account to "Er Responders."

B. Use of the Designated Depository

1. Facts

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.

2. Interim Audit Report & Audit Division Recommendation

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.

The Audit staff recommends that, within 30 calendar days of service of this report, 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 Audit staff further recommends that AERF explain why its designated depository was apparently not used to make the direct payments to the disclosed vendors.