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August 12, 2021

VIA EMAIL

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

**Re: Response to Interim Audit Report
US Veterans Assistance Foundation
LRA 1105**

Dear Ms. Pacious:

We submit this Response to the Interim Audit Report (“IAR”) provided by the Audit Division on June 25, 2021.

US Veterans Assistance Foundation (“USVAF”) has operated as a nonconnected, expenditure-only political action committee since 2017. USVAF uses independent expenditures to support candidates and political causes devoted to addressing veterans’ issues, such as homelessness. Mr. Piaro and his family hold veterans’ issues near and dear to their hearts. Mr. Piaro served in the Marine Corps in Vietnam from 1968 through 1969. He lost a leg during his service. After serving the United States in Vietnam, Mr. Piaro devoted himself to supporting veterans.

Prior to forming this committee, Mr. 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 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

Federal Election Commission, Audit Division

August 12, 2021

Page 2

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.

Mr. Piaro formed USVAF as a political action committee to support federal political campaigns and candidates who support veterans issues and address veteran homelessness. Unlike many PACs that operate behemoth political organizations, Mr. Piaro formed USVAF 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 USVAF related activities in addition to their full-time jobs.

A novice to the world of political campaigns at the time he founded USVAF 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 USVAF encountered numerous reporting issues. Without adequate legal counsel these issues accumulated. After about a year of experience in the industry, Mr. Piaro began to recognize these ongoing issues. As a result, USVAF ended its relationship with the former law firm. He thereafter began his relationship with Blank Rome LLP.

As a small, family-run committee, USVAF 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 support. An accounting firm, EWH, provides accounting and related services. The required Federal Election Commission reporting is provided by a reporting team that has improved drastically at the reporting function over time.

Consequently, USVAF 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 USVAF's reporting team uses to file required reports. The improvement in processes and procedures decreased the rate of requests for additional information (RFAIs) by 70% from the reports related to the 2018 election cycle (10 RFAIs) to the reports related to the 2020 election cycle (3 RFAIs). 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.

USVAF 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

Federal Election Commission, Audit Division

August 12, 2021

Page 3

the IAR finding, but also an explanation of the improvements in process and procedures as applied to the specific issue raised in each finding. Simply put, the issues highlighted in the IAR Findings would not occur today. USVAF submits the following responses to each IAR Finding.

I. Finding 1 – Misstatement of Financial Activity

During audit fieldwork, a comparison of USVAF's reported financial activity with its bank records revealed a misstatement of disbursements and the ending cash balance for calendar year 2018. USVAF overstated its disbursements by \$244,141 and understated its ending cash balance by \$224,021.

In response to the exit conference, USVAF stated that the overstatement of disbursements relates to a voided check to a vendor totaling \$225,000. USVAF explained that its accounting firm voided this check but did not inform USVAF's reporting team of the void. USVAF provided its December 2018 general ledger reflecting the voided payment and stated it would file an amended disclosure report. USVAF further explained that this error occurred due to communication issues between its accounting and reporting team and the lack of a standardized reconciliation process at that time. USVAF stated it has adjusted its process to improve reporting and avoid similar errors in the future. Additionally, it has instituted a two-level reconciliation prior to filing and improved communication between the accounting and reporting teams and it "will provide the appropriate amendments." To date, USVAF has not amended its reports to disclose the voided check.

The Audit staff recommends that USVAF amend its disclosure reports or file a Form 99 (Miscellaneous Electronic Submission) to correct the misstatements noted above. In addition, the Audit staff recommends that USVAF reconcile the cash balance on its most recently filed report and correct any subsequent discrepancies.

A. Response

In August 2021, USVAF filed the requested amendments and forms to address the issues identified in Finding 1.

USVAF reiterates that of the \$244,141 for the over-reported disbursement, and the understatement of ending cash on hand of \$224,021, \$225,000 relate to a voided check to American First Action. USVAF's accounting firm, EWH, voided the check but did not inform the reporting team that the check had been voided. USVAF will file an amendment to reflect this \$225,000 voided check. USVAF has produced proof of this voided check at USVAF001103–USVAF001105. This error occurred due to communication issues between EWH and the reporting team and the lack of a standardized reconciliation process at the time. USVAF, EWH, and the reporting team have addressed these issues as detailed more fully in Section I(B).

B. Implementation of Process and Improvements

As the IAR acknowledges, USVAF has adjusted its process to improve reporting and avoid similar errors in the future. USVAF has instituted a two-level reconciliation prior to filing the required reports. First, EWH reconciles the expenses with the bank statement and other financial records. Second, USVAF's reporting team has established a reconciliation process. After the reporting team receives from EWH the monthly expense reports, payroll reports, and relevant statements, the reporting team reconciles all of the bank statements with the expense reports to identify any issues. The filing software, PACSmart, also includes internal systems that identify discrepancies between bank statements and the FEC report.

USVAF has also improved communication between the accounting and reporting teams. The reporting team has established a direct line of communication with EWH to resolve questions or issues for reporting expenses before filing reports. They have also established a process to provide source documents when necessary. EWH sends monthly payroll reports and expense reports to the reporting team. This improved communication and process has allowed the reporting team to review and reconcile all appropriate records.

II. Finding 2 – Increased Activity

A comparison of USVAF's bank activity with its originally filed reports revealed that disbursements were understated by \$2,795,679 for calendar years 2017 and 2018.

In response to the exit conference, USVAF stated that it has previously filed the necessary amended disclosure reports to correct the reporting errors. USVAF explained that its original 2018 July Quarterly and October Quarterly Reports were inadvertently uploaded without all of the corresponding disbursements. USVAF stated that it has implemented "processes and procedures to avoid similar errors in the future."

The Audit staff recommends that USVAF provide any additional comments it deems relevant to this matter.

A. Response

USVAF reiterates that it has previously filed amendments to correct the reporting errors. USVAF corrected the 2017 error with amendments filed on November 8, 2018 (FEC-1290974). This related to a payment to a vendor, TPFE, for fundraising expenses. Similarly, USVAF has previously filed amendments to correct the \$2,700,458 difference between the schedule of reported activity on the original FEC report and the bank statements that occurred in 2018.

Federal Election Commission, Audit Division

August 12, 2021

Page 5

Of the \$2,700,458 that went unreported in the original reports filed in 2018, \$2,134,594.30 related to the July 2018 Second Quarter report. Put simply, the member of the filing team who had filing responsibilities at that time filed the report without uploading the expenses. USVAF and its reporting team amended that error on November 12, 2018 (FEC-1291189). The reporting team no longer employs this particular person due to frequent issues and errors. In addition, the current processes, described in detail in Section II(B), would identify this error prior to filing the report. Furthermore, \$810,514.65 of the unreported disbursements related to the October 2018 Quarter Three Report that did not include expenses for August 2018 nor a \$150,000 donation to Congressional Leadership Fund. USVAF corrected these issues by amendments filed on November 13, 2018. The FEC issued an RFAI for that amendment, to which USVAF filed an F99 to provide further explanation.

B. Implementation of Process and Improvements

The IAR recognizes that USVAF has also 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. For the 2017 error, with a difference of \$95,222, 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 reports in the future. 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, USVAF has 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

Federal Election Commission, Audit Division

August 12, 2021

Page 6

- 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.

III. Finding 3 – Disclosure of Occupation and Name of Employer

During audit fieldwork, a review of all contributions from individuals requiring itemization indicated that 160 contributions totaling \$40,850 lacked or inadequately disclosed the required occupation and/or name of employer information. USVAF did not sufficiently demonstrate “best efforts” to obtain, maintain and submit the required information. In response to audit fieldwork, USVAF provided some documentation of “best efforts,” however, USVAF has not filed amended reports to disclose and report the missing or inadequate information.

USVAF stated that, in relation to the disclosure of missing information, it is “currently investigating” and will amend its disclosure reports to include this information to the extent it possesses the information. In relation to the “best efforts” documentation, USVAF stated that it continues its investigation to obtain and produce “best efforts” documentation for the contributions discussed during the exit conference.

The Audit staff recommends that USVAF amend its reports or file a Form 99 (Miscellaneous Electronic Submission) to report and submit the occupation and/or name of employer information for the 160 contributions.

A. Response

In relation to the Audit staff’s request for amendments to disclose missing information, USVAF and its reporting team has included an amendment to include this missing information to the extent it possesses the information. In relation to “best efforts” documentation, USVAF continues its investigation to obtain and produce “best efforts” documentation to the satisfaction of the FEC for the contributors for whom USVAF has not received employer/occupation information.

B. Implementation of Process and Improvements

The reporting team has instituted an internal process to update and amend the occupation and employer information on a regular basis. The internal process, a DEEP SEARCH system,

Federal Election Commission, Audit Division

August 12, 2021

Page 7

scans the donation information from all available records uploaded to the related committees to locate contributors who had missing employer and occupation information. The DEEP SEARCH process is manually executed by the reporting team, generating a current list of donors missing employer/occupation information and feeds them through the DEEP SEARCH system. The reporting team analyzes the results and updates contribution records. In addition, a system error that impacted the collecting of updated employer/occupation information was identified and corrected, which has improved best efforts results.

IV. Finding 4 – Disclosure of Disbursements

During audit fieldwork, the Audit staff identified 144 disbursements totaling \$5,358,342 with inadequate or inaccurate disclosure information. These reporting errors consisted of the following:

- 144 reported payments to vendors, totaling \$5,358,342, disclosed addresses different than those appearing on the vendors' invoices, resulting in the inaccurate disclosure of addresses; and
- 106 payments to vendors totaling \$3,184,550 disclosed inadequate purposes.

USVAF denied that it improperly disclosed disbursements to its vendors or that the disbursements had inadequate disclosure information, stating that the information was reported correctly. Additionally, USVAF submitted an attachment containing vendor statements summarizing invoices and payment amounts during calendar year 2018. According to USVAF three vendors changed their names and addresses in August 2018 but “the payments from USVAF to the vendors from August 2018 through December 2018 correlate to the vendor’s invoice number as reported.”

To-date, USVAF has not amended its reports to disclose accurate addresses and purposes. The Audit staff recommends that USVAF amend its reports or file a Form 99 (Miscellaneous Electronic Submission) to correctly disclose these disbursements on Schedule B (Itemized Disbursements).

A. Response

USVAF is in the process of amending its reports to disclose accurate addresses and purposes and to address the FEC’s recommendation pertaining to disclosing itemized disbursements.

With regard to the 144 disbursements to major vendors totaling \$5,358,342, USVAF again denies that it violated 52 U.S.C. § 30104. USVAF also denies that it lacked or had inadequate

Federal Election Commission, Audit Division

August 12, 2021

Page 8

disclosure information. This information was correctly reported. The purported errors relate to accounting practices, specifically memo entries for payments, that § 30109(b) does not specifically address. The provision does not impose requirements that a committee disclose “payees” as a “memo entry.”

The vendors listed—Unified Data Services LLC, Compliance Consultants LLC, and American Technology Services LLC—all received payments from USVAF. The statements USVAF previously submitted to the FEC demonstrate payment from USVAF to all vendors throughout all of 2018. While the vendors changed names and addresses in August 2018, the payments from USVAF to the vendors from August 2018 through December 2018 correlate to the vendor’s invoice number and as reported.

B. Implementation of Process and Improvements

For the major vendor payments, USVAF will separate each wire transfer to the specific vendor such that three wire transfers to the three specific vendors will occur (as opposed to a single wire transfer). USVAF denies and objects to the finding that it violated 52 U.S.C. § 30104(b).

V. **Finding 5 – Recordkeeping for Disbursements and Use of Designated Depository**

1. **Recordkeeping for Disbursements**

During audit fieldwork, the Audit staff identified payments totaling \$5,456,675, which USVAF wired to “Usvetassistfound,” however, USVAF reported these disbursements as payments to vendors on its disclosure reports. USVAF did not provide any “Usvetassistfound” bank statements to demonstrate that these payments were subsequently transmitted to the disclosed vendors. USVAF denied it violated the applicable regulations and stated that it properly disclosed disbursements to its vendors.

According to USVAF:

- The vendors’ statements presented in response to the exit conference demonstrate payment from USVAF “to all vendors throughout all of 2018.”
- Three vendors changed their names and addresses in August 2018 but “the payments from USVAF to the vendors from August 2018 through December 2018 correlate to the vendor’s invoice number.”
- “The purported entity “US Veterans Assistance Foundation LLC” does not exist.” USVAF made the ACH wire transfer in a single transfer to pay for all three vendors, as opposed to three separate wire payments, “because the single wire was a more

Federal Election Commission, Audit Division

August 12, 2021

Page 9

cost effective and efficient way to transfer funds.” To support this assertion, USVAF submitted an attachment detailing PNC Bank wire transfers and invoices.

The Audit staff maintains that:

- USVAF did not provide sufficient and verifiable records to demonstrate that the 15 vendors disclosed on the reports were paid by way of the disbursements discussed in this finding. USVAF’s bank statements indicate that the recipient of the wire transfers was a single entity titled “Usvetassistfound.” This entity appears to be the US Veterans Assistance Foundation, LLC. USVAF only provided vendor statements to support that all billed amounts presented were paid. USVAF provided no verifiable documentation to demonstrate whether “Usvetassistfound” subsequently made the payments to the disclosed vendors.
- Changes to the new names and addresses of vendors should have been reflected in USVAF’s disclosure reports. Unless such changes are disclosed, the public record is not accurate.
- The US Veterans Assistance Foundation, LLC registered with the Nevada Secretary of State on November 20, 2017, three months after USVAF registered with the Commission. In addition, while the Nevada Secretary of State discloses the LLC’s current status as “Revoked,” USVAF’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 USVAF provide supporting evidence, such as bank statements, that the disclosed vendors were paid with the funds transferred from USVAF’s bank account to “Usvetassistfound.”

2. Use of the Designated Depository

In addition, USVAF failed to use its designated depository to make payments to vendors. The Audit staff identified 147 payments totaling \$5,456,675 disclosed as payments to vendors which, according to USVAF bank statements, were instead wire transfers to “Usvetassistfound.” It appears USVAF involved this entity in its financial operations and failed to use its designated depository to make payments directly to its vendors. USVAF 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 USVAF transferred to “Usvetassistfound” were subsequently transmitted to USVAF’s disclosed vendors.

The Audit staff recommends that USVAF provide bank statements to support that the disclosed vendors were paid with the funds transferred from USVAF’s bank account to

Federal Election Commission, Audit Division

August 12, 2021

Page 10

“Usvetassistfound” with the description of “ACH Company: USVETASSISTFOUND.” The Audit staff further recommends that USVAF explain why its designated depository was not used to make the direct payments to vendors.

A. Response

With regard to the \$5,456,675 in payments to major vendors, USVAF denies that it violated 52 U.S.C. § 30102(d),(h) or 11 C.F.R. § 104.14. USVAF correctly reported this information. The vendors listed —Unified Data Services LLC, Compliance Consultants LLC, and American Technology Services LLC—all received payments from USVAF’s PNC checking account. The previously submitted statements demonstrate payment from USVAF to all vendors throughout all of 2018.

USVAF correctly reported this information. The payees—Unified Data Services LLC, Compliance Consultants LLC, and American Technology Services LLC— were correctly reported, as was the address and purpose of the payment. USVAF made the ACH wire transfer in a single transfer to pay for all three vendor invoices. USVAF made the single wire payment, as opposed to three wire payments, because the single wire transfer was a more cost effective and efficient way to transfer the funds. USVAF has previously submitted proof of the wire payments to the Audit staff. During the period in question, for each of the ACH wire transfers made from USVAF’s designated depository with the stated vendors as intended recipients, PNC labeled the transfers “ACH Settlement Vendor Pay Usvetssistfound.” However, this label was created solely by PNC, and does not reflect payment to the U.S. Veterans Assistance Foundation LLC, nor to any entity or entities other than the intended vendors.

The labeling of the wire transfers occurred as part of the process by which funds were transferred directly from USVAF’s designated depository to the vendors in question. For each payment to a vendor, only one transfer occurred—the payment from USVAF to the vendor, though it may have appeared that two transfers were being made—one from USVAF’s designated depository to “Usvetssistfound” (or, as the Audit staff has baselessly claimed, an intermediary entity) and one from “Usvetssistfound” to each of the vendors—because of the bank’s internal recordkeeping practice. Because this labeling process is controlled by the bank, USVAF’s ability to more clearly demonstrate the direct flow of funds from its designated depository to the vendors is limited. Nonetheless, please see Exhibit A and B for proof of payments from USVAF to vendors throughout 2018. And, in addition, USVAF is producing contemporaneous with this response a sharefile link that includes the vendors’ redacted bank statements, provided by the vendors, to whom USVAF wired the payments. These bank statements further bolster and evidence USVAF’s contention that the wire transfers in question went from USVAF to the corresponding vendors and did not involve an intermediary entity.

Federal Election Commission, Audit Division

August 12, 2021

Page 11

Furthermore, USVAF objects to the Audit staff's continued unsupported contention that the wire transfers in question went to an intermediary entity. 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 an intermediary entity. Rather, it appears the Audit staff has simply decided that the wire transfer must have gone to an intermediary because the transaction on the bank statement includes the "Usvetssistfound" language. The Audit staff has not demonstrated any actual link between the wire transfer and an intermediary entity.

On the basis of the foregoing, the Audit Division should withdraw its finding related to recordkeeping for disbursements and use of designated depository.

B. Implementation of Process and Improvements

For the major vendor payments, moving forward USVAF will separate each wire transfer to the specific vendor such that three vendor wire transfers will show on the checking account statements each week (as opposed to a single wire transfer). USVAF denies and objects to the finding that it violated 52 U.S.C. § 30102(d), (h) or 11 C.F.R. § 104.14.

VI. Finding 6 – Failure to File 24/48-Hour Reports

During audit fieldwork, the Audit staff determined that USVAF untimely filed 48-hour reports for two independent expenditures totaling \$17,000 and did not file the required 24-hour reports for two independent expenditures totaling \$15,000.

In response to the exit conference, USVAF stated that it inadvertently failed to file these reports. USVAF stated that these errors were unintentional and explained that it has implemented a process to track and correctly report independent expenditures to ensure that required 24/48-hour reports are filed.

The Audit staff recommends that, within 30 calendar days of service of this report, USVAF provide copies of the previously requested communications and the corresponding documentation to support the public dissemination date for each communication to demonstrate that the filing of 24/48-hour reports was not required. Absent such documentation, the Audit staff recommends that USVAF provide any additional comments USVAF deems necessary with respect to this matter.

A. Response

USVAF inadvertently failed to file the 24-hour and 48-hour reports. At the time, the reporting team and USVAF were establishing the appropriate protocols and processes to track and correctly report the independent expenditures. Once USVAF and its reporting team learned about

Federal Election Commission, Audit Division
August 12, 2021
Page 12

the errors, USVAF reported these in its quarterly disclosure. USVAF and its reporting team also inadvertently failed to file the required F24 reports. Both errors were unintentional and the current process will ensure that all required 24-hour or 48-hour reports are filed, as are the F24 reports.

B. Implementation of Process and Improvements

USVAF and its reporting team have implemented processes to ensure that it files all 24-hour and 48-hour reports. The reporting team has direct contact with the Northstar Multimedia. The reporting team and Northstar Multimedia have also improved communication to avoid potential reporting issues. Northstar Multimedia alerts USVAF's reporting team about all independent expenditures, dissemination dates, amounts spent, and the candidates/offices the independent expenditures support or oppose. Using that data and to obtain disbursement date with references to bank statements provided by EWH, USVAF and its reporting team generate the required F24 reports.

Likewise, the reporting team has implemented software improvements to PACSmart filing software. For Schedule E's/F24s, the reporting team has made a major overhaul of the Schedule E system. It now includes the ability to import/export schedule E's into CSV/spreadsheet format, for ease of management/editing, and ease of population from the F24 reports into the Schedule Es of the next regularly scheduled F3X report. It also includes the ability to automatically calculate aggregate totals, based on the FEC's aggregation rules.

Please reach out with any questions.

Respectfully submitted,

/s/ Mark M. Lee

Mark M. Lee, Esq.

Encs.

cc: Zuzana O. Pacious, CFE (via e-mail)
Gregory S. Bergman, Esquire (via e-mail)