



Interim Audit Report of the Audit Division on the US Veterans Assistance Foundation (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. 2)

The US Veterans Assistance Foundation is a non-connected, independent expenditure-only committee headquartered in Fredonia, Wisconsin. For more information, see the chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts

○ Contributions from Individuals	\$ 6,454,147
○ Transfers from Affiliated/Other Party Committees	96,922
Total Receipts	\$ 6,551,069

• Disbursements

○ Operating Expenditures	\$ 5,667,092
○ Transfers to Affiliated/Other Party Committees	368,311
○ Independent Expenditures	40,000
Total Disbursements	\$ 6,075,403

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Increased Activity (Finding 2)
- Disclosure of Occupation and Name of Employer (Finding 3)
- Disclosure of Disbursements (Finding 4)
- Recordkeeping for Disbursements and Use of Designated Depository (Finding 5)
- Failure to File 24/48-Hour Reports (Finding 6)

¹ 52 U.S.C. §30111(b).



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Part I

Background

Authority for Audit

This report is based on an audit of the US Veterans Assistance Foundation (USVAF), 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

USVAF 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. USVAF reported 147 disbursements totaling \$5,456,675 as payments to vendors. However, the Audit staff found that USVAF's bank statements reflected 53 wire payments for this same amount to an entity annotated as "Usvetassistfound." The bank statements described each transaction as "ACH Settlement Vendor Usvetassistfound." This entity appears to be the US Veterans Assistance Foundation, LLC². USVAF provided vendor statements showing that all billed amounts were paid, presumably suggesting that "Usvetassistfound" used the funds wired from USVAF to pay the vendors. USVAF has not provided any USVAF or "Usvetassistfound" bank records to support that the funds were used to pay the vendors disclosed on USVAF's disclosure reports. (See Finding 5A).

Further, USVAF 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 designated depository account. USVAF routed its funds through the "Usvetassistfound" bank account before purportedly disbursing these funds to the vendors. The Audit staff, in absence of the "Usvetassistfound" bank statements, was unable to identify the composition of the

² 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, USVAF stated that the US Veterans Assistance Foundation, LLC does not exist. See Finding 5.

funds in that bank account. As a result, USVAF may have impermissibly commingled its funds with the personal funds of an individual or with corporate funds. (See Finding 5B).

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration ³	August 18, 2017
• Audit Coverage	January 1, 2017 – December 31, 2018
Headquarters	Fredonia, WI
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Two checking accounts
Treasurer	
• Treasurer When Audit Was Conducted	Robert Piaro
• Treasurer During Period Covered by Audit	Robert Piaro
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	\$ 225
Receipts	
○ Contributions from Individuals	6,454,147
○ Transfers from Affiliated/Other Party Committees	96,922
Total Receipts	\$ 6,551,069
Disbursements	
○ Operating Expenditures	5,667,092
○ Transfers to Affiliated/Other Party Committees	368,311
○ Independent Expenditures	40,000
Total Disbursements	\$ 6,075,403
Cash-on-hand @ December 31, 2018	\$ 475,891

³ USVAF established a bank account prior to the 2017 – 2018 audit period and before it registered with the Commission and received contributions/made expenditures aggregating in excess of \$1,000 in connection with a federal election.

Part III

Summaries

Findings and Recommendations

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. The Audit staff recommends that USVAF amend its disclosure reports or file a Form 99 (Miscellaneous Electronic Submission) to correct these misstatements. (For more detail, see p. 6.)

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. The Audit staff recommends that USVAF provide any additional comments it deems relevant to this matter. (For more detail, see p. 7.)

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. The Audit staff recommends that USVAF amend its reports or file a Form 99 (Miscellaneous Electronic Submission) to correctly disclose the required information. (For more detail, see p. 9.)

Finding 4. Disclosure of Disbursements

During audit fieldwork, the Audit staff identified 144 disbursements totaling \$5,358,342 with inadequate or inaccurate disclosure information. The Audit staff recommends that USVAF amend its reports to correctly disclose these transactions on Schedule B (Itemized Disbursements) or file a Form 99 (Miscellaneous Electronic Submission) to include the inadequate or correct information. (For more detail, see p. 11.)

Finding 5. Recordkeeping for Disbursements and Use of Designated Depository

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. 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.”

In addition, USVAF failed to use its designated depository to make payments to vendors. The Audit staff recommends that USVAF explain why its designated depository was not used to make the direct payments to vendors. (For more detail, see p. 12.)

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. The Audit staff recommends that USVAF provide 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 it deems necessary with respect to this matter. (For more detail, see p. 16.)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

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. The Audit staff recommends that USVAF amend its disclosure reports or file a Form 99 (Miscellaneous Electronic Submission) to correct these 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;
- The total amount of disbursements for the reporting period and for the calendar year; and
- 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, the Audit staff reconciled USVAF's reported financial activity with its bank records for calendar years 2017 and 2018. The reconciliation determined that USVAF misstated disbursements and the ending cash balance for 2018. The following chart details the discrepancies between USVAF's disclosure reports and its bank activity. The succeeding paragraph explains why the discrepancies occurred.

2018 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash on hand @ January 1, 2018	\$12,614	\$12,614	\$0
Receipts	\$6,462,798	\$6,442,678	\$20,120 Overstated
Disbursements	\$6,223,542	\$5,979,401	\$244,141 Overstated
Ending Cash on hand @ December 31, 2018	\$251,870	\$475,891	(\$224,021) Understated

The overstatement of disbursements resulted from the following differences:

• Disbursements not reported	+	3,970
• Disbursements reported incorrectly	-	3,010
• Disbursements reported but did not clear the bank	-	227,862
• Bank reversing entries reported as disbursements	-	6,975
• Offsets to operating expenditures reported as disbursements	-	<u>10,264</u>
Net Overstatement of Disbursements		<u>\$ 244,141</u>

The \$224,021 understatement of the ending cash balance was a result of the reporting discrepancies noted above.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter during the exit conference with USVAF representatives and provided the relevant schedules. 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 payment⁴ 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, within 30 calendar days of service of this report, USVAF amend its disclosure reports or file a Form 99 (Miscellaneous Electronic Submission)⁵ 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.

Finding 2. Increased Activity

Summary

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. The Audit staff recommends that USVAF 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:

⁴ The check was made to a political action committee and the Audit staff verified that this committee did not report any such contribution from USVAF.

⁵ If USVAF chooses to file a Form 99 instead of amending its disclosure reports, the form must contain all pertinent information that is required on each schedule.

- Quarterly reports. 52 U.S.C. § 30104(a)(4)(A); or
- Monthly reports in all calendar years shall be filed no later than the 20th day after the last day of the month and shall be complete as of the last day of the month, except that, in lieu of filing the reports otherwise due in November and December of any year in which a regularly scheduled general election is held, a pre-general election report shall be filed in accordance with 52 U.S.C. § 30104(2)(A)(i), a post-general election report shall be filed in accordance with 52 U.S.C. § 30104(2)(A)(ii), and a year-end report shall be filed no later than January 31 of the following calendar year. 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
- 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).

A. Facts

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

The Audit staff calculated that USVAF understated its disbursements by \$2,795,679 on the original reports filed over the two-year period ending December 31, 2018. This understatement was primarily due to USVAF's failure to disclose disbursements totaling \$95,222 and \$2,700,458 on its originally filed 2017 and 2018 disclosure reports, respectively. The 2018 understatement of disbursements includes the \$244,141 overstatement of disbursements discussed in Finding 1 above (Misstatement of Financial Activity).

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter with USVAF representatives during the exit conference and provided the relevant schedule. 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, within 30 calendar days of service of this report, USVAF provide any additional comments it deems relevant to this matter.

Finding 3. Disclosure of Occupation and Name of Employer

Summary

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. The Audit staff recommends that USVAF amend its reports or file a Form 99 (Miscellaneous Electronic Submission) to correctly disclose the required information.

Legal Standard

- A. Itemization Required for Contributions from Individuals.** A political committee other than an authorized committee must itemize any contribution from an individual if it exceeds \$200 per calendar year, either by itself or when combined with other contributions from the same contributor. 52 U.S.C. §30104(b)(3)(A).
- B. Required Information for Contributions from Individuals.** For each itemized contribution from an individual, the committee must provide the following information:
- The contributor’s full name and address (including zip code);
 - The contributor’s occupation and the name of his or her employer;
 - The date of receipt (the date the committee received the contribution);
 - The amount of the contribution; and
 - The calendar year-to-date total of all contributions from the same individual. 11 CFR §§100.12 and 104.3(a)(4) and 52 U.S.C. §30104(b)(3)(A).
- C. Best Efforts Ensures Compliance.** When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee’s reports and records will be considered in compliance with the Act. 52 U.S.C. §30102(i).
- D. Definition of Best Efforts.** The treasurer and the committee will be considered to have used “best efforts” if the committee satisfied all of the following criteria:
- All written solicitations for contributions included:
 - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
 - The statement that such reporting is required by Federal law.
 - Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.

- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

Facts and Analysis

A. Facts

USVAF did not disclose or inadequately disclosed the required occupation and/or name of employer information for contributions requiring itemization on its FEC reports, as of the date of the audit notification letter.

Contributions Requiring Itemization – Missing or Inadequate Occupation and/or Name of Employer	
Number of Contributions	160
Dollar Value of Contributions	\$40,850
Percent of Contributions	50%

1. Contributor Information Provided but Amendments Not Filed:

During Audit fieldwork, USVAF provided the Audit staff with the required contributor occupation and/or name of employer information; however, USVAF did not file the required amendments for the following:

Contributor Information Provided but Amendments Not Filed	
Number of Contributions	41 ⁶
Dollar Value of Contributions	\$9,425

2. Best Efforts Documentation Not Provided:

USVAF did not provide the Audit staff records to document “best efforts” for the following:

Best Efforts Documentation Not Provided by Committee	
Number of Contributions	119
Dollar Value of Contributions	\$31,425

⁶ USVAF's updated documentation, provided to the Audit staff during fieldwork, contained the occupation and name of employer information.

3. Additional Information:

USVAF disclosed the following unacceptable entries on Schedule A:

- “Best Efforts” for 126 contributions totaling \$30,890, and
- Inadequate occupation and/or name of employer for 34 contributions totaling \$9,960.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter with USVAF representatives during audit fieldwork and at the exit conference and provided the schedule detailing these disclosure errors. USVAF representatives stated during fieldwork that they were working to obtain the additional “best efforts” information requested to the extent it was available.

In response to the exit conference, 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, within 30 calendar days of service of this report, USVAF amend its reports or file a Form 99 (Miscellaneous Electronic Submission)⁵ to report and submit the occupation and/or name of employer information for the 160 contributions.

Finding 4. Disclosure of Disbursements

Summary

During audit fieldwork, the Audit staff identified 144 disbursements totaling \$5,358,342 with inadequate or inaccurate disclosure information. The Audit staff recommends that USVAF amend its reports to correctly disclose these transactions on Schedule B (Itemized Disbursements) or file a Form 99 (Miscellaneous Electronic Submission) to include the inadequate or correct information.

Legal Standard

A. Reporting Operating Expenditures. When operating expenditures to the same person exceed \$200 in a calendar year, 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—see below). 52 U.S.C. §30104(b)(5)(A) and 11 CFR §104.3(b)(3)(i).

B. Examples of Purpose.

- Adequate Descriptions. Examples of adequate descriptions of “purpose” include the following: dinner expenses, media, salary, polling, travel, party fees, phone

banks, travel expenses, travel expense reimbursement, catering costs. 11 CFR §104.3(b)(3)(i)(B).

- Inadequate Descriptions. The following descriptions do not meet the requirement for reporting “purpose”: advance, election day expenses, expenses, other expenses, expense reimbursement, miscellaneous, outside services, get-out-the-vote, and voter registration. 11 CFR §104.3(b)(3)(i)(B).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff identified 144 reported disbursements totaling \$5,358,342 that were disclosed as payments to vendors and had inadequate or inaccurate disclosure. These reporting errors consisted of the following⁷:

- 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.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter during the exit conference with USVAF representatives and provided the relevant schedules. In response to the exit conference, 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, within 30 calendar days of service of this report, USVAF amend its reports or file a Form 99 (Miscellaneous Electronic Submission)⁵ to correctly disclose these disbursements on Schedule B (Itemized Disbursements).

Finding 5. Recordkeeping for Disbursements and Use of Designated Depository

Summary

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

⁷ These errors and their respective dollar value exceed the 144 errors totaling \$5,358,342 because the 106 disbursements totaling \$3,184,550 for inadequate purposes also had inaccurate addresses. Each of these disbursements were counted once toward the total errors.

“Usvetassistfound” bank statements to demonstrate that these payments were subsequently transmitted to the disclosed vendors. 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.”

In addition, USVAF failed to use its designated depository to make payments to vendors. The Audit staff recommends that USVAF explain why its designated depository was not used to make the direct payments to 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 payee;⁸
 - 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.

⁸ 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).

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).

Facts and Analysis

A. Recordkeeping for Disbursements

1. Facts

The Audit staff reviewed 147 payments totaling \$5,456,675 that USVAF disclosed to vendors. According to USVAF's bank statements, however, USVAF made 53 wire transfers totaling \$5,456,675 to "Usvetassistfound." This appears to be the US Veterans Assistance Foundation LLC². USVAF reported the disbursements as payments to vendors other than "Usvetassistfound" on its disclosure reports (see Finding 4); but did not provide "Usvetassistfound" bank statements to demonstrate that the funds transferred from USVAF to "Usvetassistfound" 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 during the exit conference with USVAF representatives and provided relevant schedules. In response to the exit conference, 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."² 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 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

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, LLC². 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 "Revoked²," 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, within 30 calendar days of service of this report, USVAF provide supporting and verifiable evidence, such as bank statements, that the disclosed vendors were paid with the funds transferred from USVAF's bank account to the "Usvetassistfound."

B. Use of the Designated Depository

1. Facts

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.

2. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter during the exit conference with USVAF representatives. In its written response to the exit conference, USVAF did not address USVAF'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, USVAF provide bank statements to support that the disclosed vendors were paid with the funds transferred from USVAF's bank account to "Usvetassistfound" with the description of "ACH Company: USVETASSISTFOUND." The Audit staff further recommends that USVAF explain why its designated depository was apparently not used to make the direct payments to the disclosed vendors.

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

Summary

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. The Audit staff recommends that USVAF provide 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 it deems necessary with respect to this matter.

Legal Standard

- A. Definition of Independent Expenditures.** The term “independent expenditure” means an expenditure by a person for a communication expressly advocating the election or defeat of a clearly identified candidate that is not made in coordination with any candidate or authorized committee or agent of a candidate. 11 CFR §100.16(a).
- B. Itemization of Independent Expenditures.** When independent expenditures to the same person exceed \$200 in a calendar year, the committee must report on Schedule E the:
- Amount of the expenditures;
 - Date when the expenditures were made;
 - Name and address of the payee; and
 - Purpose of the expenditures. 52 U.S.C. §30104(b)(5)(A) and 11 CFR§104.3(b)(3)(vii).

Independent expenditures made (i.e., publicly disseminated) prior to payment should be disclosed as “memo” entries on Schedule E and as a reportable debt on Schedule D. Independent expenditures of \$200 or less do not need to be itemized, though the committee must report the total of those expenditures online (b) on Schedule E. 11 CFR §§104.3(b)(3)(vii), 104.4(a) and 104.11

- C. Last-Minute Independent Expenditure Reports (24-Hour Reports).** Any independent expenditures aggregating \$1,000 or more, with respect to any given election, and made after the 20th day but more than 24 hours before the day of an election must be reported and the report must be received by the Commission within 24 hours after the expenditure is made. A 24-hour report is required for each additional \$1,000 that aggregates. The 24-hour report must be filed on a stand-alone Schedule E. The date that a communication is publicly disseminated serves as the date that the Committee must use to determine whether the total amount of independent expenditures has, in the aggregate, reached or exceeded the threshold reporting amount of \$1,000. 11 CFR §§104.4(f) and 104.5(g)(2).
- D. Last-Minute Independent Expenditure Reports (48-Hour Reports).** Any independent expenditure aggregating \$10,000 or more for an election in any calendar

year, up to and including the 20th day before an election, must be disclosed within 48 hours each time the expenditures aggregate \$10,000 or more. The reports must be filed with the Commission within 48 hours after the expenditure is made. The 48-hour report must be filed on a stand-alone Schedule E. The date that a communication is publicly disseminated serves as the date that the Committee must use to determine whether the total amount of independent expenditures has, in the aggregate, reached or exceeded the threshold reporting amount of \$10,000. 11 CFR §§104.4(f) and 104.5(g)(1).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed five disbursements totaling \$40,000 that USVAF disclosed on Schedule E (Itemized Independent Expenditures). According to USVAF's disclosure reports, which included the corresponding dissemination dates, these expenditures were for billboards, mailers, signs, social media and campaign advertising service and administration. USVAF provided the Audit staff with its media vendor's "Proposed Marketing Plan" (the Plan) and the associated invoices to demonstrate that the communications described in the Plan were the same communications USVAF paid for and subsequently self-reported as independent expenditures. The Audit staff determined that four of these independent expenditures, totaling \$32,000, required the filing of 24/48-hour reports. Specifically, USVAF untimely filed 48-hour reports for two expenditures totaling \$17,000 and did not file 24-hour reports for two expenditures totaling \$15,000.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter during the exit conference with USVAF representatives and provided the relevant schedule. In its 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.