U.S. Department of Labor

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July 17, 2007

Mr. Terry McMillin, Secretary Treasurer
Communication Workers AFL-CIO
Local 84809
1609 West Ford St.
South Bend, IN 46619

LM File Number 061-344
Case Number: [redacted]

Dear Mr. McMillin:

This office has recently completed an audit of Communication Workers Local 84809 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you and President Joseph Alerding on July 10, 2007, the following problems were disclosed during the audit. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of

the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Local 84809's 2006 records revealed the following recordkeeping violations:

1. Lost Wages

   Local 84809 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees on at least eleven occasions. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the clock hours and total number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that the Local failed to record various details such as the dates of time lost, the type of union business conducted and rates of pay.

   During the exit interview, I provided a sample of an expense voucher Local 84809 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Expense Supporting Documentation

   Local 84809 did not retain adequate documentation for disbursements made throughout the fiscal year. During the exit interview, I cited various examples of missing receipts including but not limited to payments made to Heirloom Bible, Coyne & Associates, and Tri-Way Golf Course. In addition, only three of sixteen receipts were submitted to OLMS for petty cash disbursements throughout the year.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records

3. Receipt Records

Local 84809 maintained deposit tickets for all receipts received from an employer, Steel Warehouse, for the fiscal year. These tickets reflect the date the union deposited money, but not the date money was received. The union failed to maintain the invoices for the employer receipts totaling at least $2100. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

4. Information not Recorded in Meeting Minutes

During the audit, Mr. Alerding advised OLMS that the membership authorized a new dues-financed benefit program at a membership meeting during the first quarter of the 2006 calendar year. However, the minutes of the meetings during this period do not contain any references to votes taken or motions passed. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 84809 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report Form LM-3 filed by

Local 84809 for fiscal year ending September 30, 2006, was deficient in the following areas:

1. Cash Receipts

   Item 38, Dues, is incorrectly reported as $99, 281. The audit revealed that this figure appears to reflect the disbursements made by employers to Communication Workers International union on behalf of Local 84809 members on dues check off. The LM-3 instructions specify that the purpose of Statement B, Receipts and Disbursements, is to report the flow of cash in and out of your organization during the reporting period. The instructions further state that dues received by a parent body and retained for per capita tax or other purposes are not payments to be reported in Item 38. Therefore, only the dues transmitted directly to your organization by the employer, parent body, or other affiliate shall be reported as a dues receipt in Statement B.

2. Cash Disbursements

   Item 47, Per Capita Tax, is incorrectly reported as $66,034. Local and employer records indicate that monies which represent per capita tax are paid to the International directly by the employer. As the disbursements reported on the LM-3 are to reflect direct payments made by the union, Item 47 is incorrectly reported.

   During the conduct of the audit, it appeared as if several disbursements made by Local 84809 were not reported on the LM-3 report. During the exit interview, an example was provided in which salary payments to an officer were under reported in Item 24, Disbursements to Officers. You were advised that all expenses for the entire fiscal year (October 1, 2005 through September 30, 2006) are required on the LM-3. This includes checks written through the final day of the fiscal year but not yet cleared by the bank.

3. Failure to File Bylaws

   The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its constitution and bylaws with its Labor Organization Information Report, Form LM-1. Section 201(a) also requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Bylaws for Local 84809 were not filed with OLMS.

A copy of Local 84809's constitution and bylaws has now been filed. If amendments are made to the bylaws in the future, a copy should be filed with your organization's LM report the year the changes are adopted.

Local 84809 must file an amended Form LM-3 for fiscal year ending September 30, 2006, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than August 1, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Disbursement Policies

The audit revealed that Local 84809 does not have a clear written policy regarding the authorization procedures for expenditures. There is also no written policy regarding benefit or donation payments made to members. OLMS recommends that unions adopt written guidelines concerning such matters. Our office is readily available to provide guidance to you regarding the requirements of the law as they would pertain to any policies your union might adopt.

2. Internal Controls

As discussed at the exit interview, the audit revealed that the union would benefit from improving their financial practices and instituting some internal controls. The following examples were cited as areas that required attention:

- Deposits are often made a month or more after a check is received from Steel Warehouse. OLMS recommends that deposits are made as soon as monies are received in order to safeguard union funds.
- Local 84809 disbursements are often made without an accompanying voucher. In addition, check disbursements often contain only one officer signature. These practices are contrary to procedures outlined in Local 84809's constitution and bylaws. OLMS recommends that two officers sign

checks drawn on union accounts and require vouchers for all disbursements.

- A former union officer is still listed as a signatory on union bank accounts. You were advised to correct this oversight as soon as possible.

I want to extend my personal appreciation to Communication Workers Local 84809 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[redacted]
Investigator

Enclosure

cc: Joseph Alerding, President, w/o enclosure