U.S. Department of Labor

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March 12, 2007

Ms. Christine Barton, Secretary-Treasurer
Service Employees Local 1199
15 South Grady Way, Suite 200
Renton, WA 98055-3239

Your union's file number is: LM-516-569
Case Number: [redacted]

Dear Ms. Barton:

This office has recently completed an audit of Service Employees Local 1199 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, Executive Vice President Emily Van Bronkhorst, Director of Finance and Support Services Frank Kiuchi, and Accountant Paul Abrahamson on February 21, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record.keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

The following record keeping violations were revealed during the audit of Local 1199's 2005 records:

1. Union officers and employees failed to retain adequate documentation for travel expenses charged to union credit cards. Backup documentation for four months of credit card expenses was examined for adequacy. The electronic records maintained for travel expenses (including car rentals, hotel rooms, and airline tickets) charged to the union credit cards did not include the cost of the goods or services provided. Many of the travel records also did not identify the union purpose of the travel. The union needs to maintain a record that includes the date, amount, and business purpose of every expense. This record must be retained for a minimum of five years from the date of the corresponding LM-2 report.

2. Local 1199 failed to maintain adequate documentation for meals paid by the union. Specifically, several of the receipts retained were not itemized and, instead, consisted of the signature receipt for the credit card used. Such receipts only list the total amount charged to the credit card. Itemized meal receipts need to be retained and should identify the goods and services provided and the dates they were provided. In addition, most of the receipts failed to record the union purpose of the meal or those present. All receipts for meals should include the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

3. Local 1199 failed to maintain adequate documentation for cash distributed to travelers as advance per diem. The records should show that each named payee received the approved cash amount and that the cash was used for the approved union purpose.

4. Local 1199 failed to record in its records some electronic receipts and some interest earned on accounts. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

5. Local 1199 failed to record in its records some electronic disbursements from its general checking account. These disbursements consisted of some ADP and bank fees. Union disbursement records must include an adequate identification of each disbursement of money. The records should show the exact date that the money was disbursed, the identity of the payee, and the individual amount disbursed to each payee.

6. Local 1199 failed to document the authorizations for contributions, gifts, and grants. Approximately half of the contributions, gifts, and grants did not have any record of approval or authorization. Authorizations for disbursements should be specific and unequivocal and list the amount, recipient, and purpose of the gift.

7. Local 1199 failed to identify all bookkeeping adjustments. Several adjustments appeared as receipts or disbursements rather than as adjustments. In addition, bookkeeping adjustments should be entered in the books on the date they are made. For example, the union made several adjustments that appear in the records dated December 31, 2005, but documentation shows that the changes actually occurred on May 25, 2006, which demonstrates that the adjustments were retroactively entered in the 2005 records.

8. The union failed to maintain an accurate check ledger and disbursement journal. Information recorded by the union in its ledger and disbursement journal should accurately describe the information on the checks written. The union incorrectly recorded the information for several of the checks examined. The check numbers were mixed up in the books, resulting in inaccurate recordkeeping for the payee, amount, and date for each of the affected checks.

9. Local 1199 failed to maintain all its original bank statements. Several original bank statements were missing. All bank statements need to be retained by the union for a minimum of five years from the date of the corresponding LM-2 report. Photocopies do not satisfy this recordkeeping requirement.

As agreed, provided that Local 1199 maintains adequate documentation for its receipts and disbursements in the future, no additional enforcement action will be taken regarding this violation.

Reporting Violations

The CAP 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-2) filed by Local 1199 for fiscal year ending December 31, 2005, was deficient in the following areas:

1. Local 1199 failed to include some direct reimbursements to officers in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers). None of the direct reimbursements verified during the audit appeared on Schedule 11. The payments appear to have been erroneously reported in Schedule 18 (General Overhead). Direct disbursements to officers for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedule 11 (Disbursements for Official Business). This requirement includes direct disbursements for reimbursements for money spent on office supplies.

   In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an

airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

2. Unused vacation paid to officers was erroneously reported as separate line items in Schedule 11 (All Officers and Disbursements to Officers). Unused vacation paid out is considered a salary payment and should be reported next to the officer's name in Column D of Schedule 11. Each officer should be listed one time in Schedule 11 and all disbursements to that officer should be listed in Columns D through G next to the name.

3. Some political disbursements in Schedule 16 were reported in the wrong line item. Specifically, $3,440 in contributions to political campaigns was erroneously listed in line 3 (To Officers) instead of line 5 (All Other Disbursements) of Schedule 16.

OLMS is not requiring that Service Employees Local 1199 file an amended LM-2 report for 2005 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Issues

During the audit period, your union made out two checks to "cash," totaling $4,270.00. The cash from these checks was used to pay per diem advances to several officers, employees, and members for approved travel. It is recommended that the union write each individual a check for such purposes to allow for greater accountability.

I want to extend my personal appreciation to Service Employees Local 1199 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter is passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

Jena de Mers Raney
District Director

cc: Ms. Diane Sosne, President