U.S. Department of Labor

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Office of Labor-Management Standards
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July 31, 2007

Ms. Olga Miranda, President
SEIU Local 87
240 Golden Gate Avenue
San Francisco, CA 94102

LM File Number: 034-951
Case Number: [redacted]

Dear Ms. Miranda:

This office has recently completed an audit of SEIU Local 87 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 Bookkeeper Remy Perez on July 19, 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.

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 87's 2006 records revealed the following recordkeeping violations:

1. Information not Recorded in Meeting Minutes

   During the audit, President Miranda noted that salary increases for officers were authorized by the executive board in August 2006 and by the general membership in September 2006, as confirmed by the meeting minutes. However, Article XI of Local 87's constitution and bylaws requires that salary increases for officers be proposed at one general membership meeting and approved by two-thirds vote of the members present at the next meeting for the increase to carry. The membership minutes do not contain any reference to a second membership meeting approving salary increases.

2. Lack of Salary Authorization

   Local 87 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and therefore correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries. Local 87 relies on the "Unity Agreement" as the basis for officer salaries but that document only references salaries for "Deputy Trustees". Furthermore, although the agreement specifies that the deputy trustees will receive the same salaries they were previously paid, Local 87 augmented some officer salaries by ten percent to compensate for the loss of a second Local 87 pension benefit, without authorization by the membership, as required by the constitution and bylaws.

Based on your assurance that Local 87 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 87's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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-2) filed by Local 87 for fiscal year ending December 31, 2006, was delinquent/deficient in the following areas:

1. Failure to File

   Local 87 and its responsible officers failed to file required annual reports with the Secretary of Labor for fiscal years ending December 31, 2005, and December 31, 2006. Although Local 87 may have filed a paper return, the forms must be filed electronically. Local 87 has now filed the 2005 and 2006 reports electronically.

2. Disbursements to Officers and Employees

   Local 87 did not include any reimbursements to officers and employees totaling at least $10,000 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

   The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

Local 87 must file an amended Form LM-2 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. OLMS filing procedures and the

availability of filing software can be found on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than August 15, 2007. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violations

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 87's officers and employees are currently bonded for $164,000, but they must be bonded for at least $200,000. Local 87 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than August 15, 2007.

Thank you for the cooperation and courtesy extended during this compliance audit. We 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,

Jennifer Bergschneider
Acting District Director

cc: Hung Chi Szeto, Treasurer