



September 23, 2010

Ms. Kathy Legene, President  
Gratiot Community Hospital  
Registered Nurse Association  
1820 S. Crawford Street, F15  
Mt. Pleasant, MI 48858

Case Number: [REDACTED]  
LM Number: 538063

Dear Ms. Legene:

This office has recently completed an audit of the Gratiot Community Hospital Registered Nurse Association (GCHRNA) 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 Treasurer Rebekah Lombardo on June 14, 2010, 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.

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 amended Labor Organization Annual Report (Form LM-4) filed by the GCHRNA for the fiscal year ended July 31, 2009, was deficient in the following areas:

1. Disbursements to Officers and Employees

The GCHRNA overstated the amount reported in Item 18 (Payments to Officers and Employees). The amount should include, for example, gross salaries (before tax withholdings and other payroll deductions); lost time pay; monthly, weekly, or daily allowances; and disbursements for conducting official business of the organization as well as disbursements which were essentially for the personal benefit of the officer or employee (e.g., meeting drawing prizes).

2. Receipts

The GCHRNA understated the amount reported in Item 16 (Receipts) by \$491.79 because interest earned on the union's bank accounts during the audit period was not recorded in the union's books until after the end of the fiscal year. The union must report all interest and dividends received from savings and checking accounts, certificates of deposit, and from all other sources during the reporting period in which it was earned.

3. Assets

The ending value of your organization's assets at the end of the audit period that was reported in Item 14 (Assets) is not the correct amount according to the union's books. Enter in Item 14 the total value of all your organization's assets at the end of the reporting period including, for example, cash on hand (i.e., un-deposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes) and in banks (i.e., funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts); property; loans owed to your organization; investments; office furniture; automobiles; and anything else owned by your organization. The bank account balances reported should be obtained from your organization's books as reconciled with the balances shown on bank statements.

4. Losses or Shortages

The GCHRNA incorrectly answered Item 11 (Losses or Shortages) "Yes." Item 11 should be answered "Yes" only if any loss or shortage of funds or other property of your organization was discovered during the reporting period whether or not there has been repayment or an agreement to make restitution. If Item 11 is answered "Yes," you must describe the loss or shortage in detail in Item 19 (Additional Information) including such information as the amount of the loss or shortage of funds or a description of the property that was lost, how it was lost, and to what extent, if any, there has been an agreement to make restitution or any recovery by means of repayment, fidelity bond, insurance, or other means. The GCHRNA did not discover any losses or shortages during the reporting period.

The GCHRNA has submitted a second amended LM-4 report for the fiscal year ended July 31, 2009, that corrects almost all of the deficient items. Consequently, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

1. Dues Reimbursement Policy

During the opening interview, Ms. Lombardo advised that officer dues are not paid by the GCHRNA. The audit, however, revealed that the union does, in fact, reimburse officer dues, and that it does not have a clear, written policy regarding this matter. To safeguard union assets by promoting transparency and accountability, OLMS recommends that the GCHRNA adopt a clear written dues reimbursement policy properly authorized by the appropriate governing body or bodies. This authorization must be documented in at least one union record. The documentation may be in the form of an annual authorization in the minutes of a local union, in the minutes of an executive board meeting, or, in some cases, in the union by-laws.

2. Two Signatures on Checks

The LMRDA outlines general fiduciary responsibilities for officers and employees of labor organizations. Union officials occupy positions of trust and, therefore, must ensure that the union's funds and other assets are used solely for the benefit of the union and its members. To prevent, or at least inhibit, the misuse of their funds, most organizations install internal controls over the handling of their finances. The audit disclosed that union checks may be signed by only one officer. This is not a recommended financial practice and the GCHRNA is encouraged to adopt a policy requiring that all checks drawn on the union's bank account have a second signature and ensure that each signer fully understands that his fiduciary responsibilities demand that checks be signed only after they are completely filled out and (s)he knows the purpose and legitimacy of each transaction.

I want to extend my personal appreciation to the GCHRNA 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]  
Senior Investigator

cc: Ms. Rebekah Lombardo, Treasurer