



March 10, 2011

Ms. Margaret Stump, Secretary-Treasurer
Federation of Union Representatives
P. O. Box 589
Eden, NC 27289

Case Number: [REDACTED]
LM Number: 058-831

Dear Ms. Stump:

This office has recently completed an audit of the Federation of Union Representatives (FOUR) 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 on March 3, 2011, 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 FOUR's records for fiscal year ending February 28, 2010 revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

FOUR did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$1,923.09. For example, union officials received reimbursements in which union records did not reflect the purpose. One union official was reimbursed \$700 for per diem and baggage fees for a trip to New York, and on a separate occasion, the union official received another reimbursed expense payment for \$500. However, the vouchers did not adequately reflect the purposes. Furthermore, one voucher did not reflect the travel dates. Another union official received \$345.32 in reimbursed expenses in which neither the purpose nor the travel dates were indicated on vouchers. Another union official received \$130 in reimbursed expenses in which union records did not reflect the purpose. There was an airline ticket charged to the union's credit card for \$247.70, but the purpose was not reflected in union records.

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.

2. Meal Expenses

FOUR did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$385.31. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

FOUR's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, there was a meal receipt for \$147.48 that did not reflect who was present at the meal. In addition, there was \$385.31 in meals that did not reflect the purpose. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Receipt Dates not Recorded

Entries in FOUR's QuickBooks accounting system reflects the date the union deposited money, but not the date money was received. 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. Lack of Expense Authorization

FOUR did not maintain records to verify that per diem payments disbursed to officers were the authorized amount. The union must keep a record, such as meeting minutes, to show the current per diem expense amount and policy authorized by the entity or individual in the union with the authority to establish officer expenses.

The executive board approved for President Hairston to purchase a cell phone for \$400. However, the cell phone purchase was for \$611.31, which exceeded the approved amount. The minutes did not reflect approval for the additional cost. According to Article III, Section 7 of the union's constitution and bylaws, the executive board has the power to authorize the expenditure of union funds.

Based on your assurance that FOUR 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 FOUR for fiscal year ending February 28, 2010 was deficient in the following areas:

1. Disbursements to Officers

FOUR did not include reimbursements to officers totaling at least \$4,044.31 in Item 24 (All Officers and Disbursements to Officers) of the LM-3 report for fiscal year ending February 28, 2010. It appears the union erroneously reported these payments in Item 54.

FOUR did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to FOUR officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer

traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Errors on the LM-3 Report

The LM-3 report for fiscal year ending February 28, 2010 contained the following errors.

- a. Item 8 (mailing address) must be fully completed
- b. Item 23 (rates of dues and fees, lines (a) through (d) must be completed with an appropriate entry, such as dollar amount, "0," "none," number of hours pay, etc.
- c. Items 25(A) – 30(A) and Items 25(B) – 30(B) (asset items – start and ending of reporting period) must each be completed with the appropriate number or "0."
- d. Item 32(C) -35(C) (liability items – start of reporting period) must each be completed with the appropriate number or "0."
- e. Items 32(C) – 36(C) (liability items – start of reporting period) must be the same as the entries in Items 32(D) through 36(D) (liability items- end of reporting period) on your union's prior year Form LM-3.
- f. Item 36(c) (total liabilities – start of reporting period) must be completed with the appropriate number or "0."
- g. Items 32(D) – 35(D) (liability items –end of reporting period) must each be completed with the appropriate number or "0."
- h. Items 40-43 (cash receipts) must each be completed with an appropriate number or "0."
- i. Item 45 (to officers) must equal Item 24, line (11).

4. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which 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. FOUR amended its constitution and bylaws in 2001, but did not file a copy with its LM report for that year. FOUR has now filed a copy of its constitution and bylaws.

FOUR must file an amended Form LM-3 for fiscal year ending February 28, 2010, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended LM-3 report should be submitted to this office at the above address as soon as possible, but not later than April 4, 2011. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issue

Signing Checks

The audit revealed that then Secretary-Treasurer Johnsey was the only signature appearing on the checks. In addition, President Hairston was not a signatory on any of the accounts, and former President [REDACTED] remained the signatory on the union's checking account, even though he was no longer an officer. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, having one signatory on the checks does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. FOUR has already implemented procedures to remedy this matter and improve internal control of union funds.

I want to extend my personal appreciation to FOUR 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

cc: Mr. Jerry Hairston, President