



May 26, 2015

Ms. Diana Vallera, President
Part-time Faculty Association of Columbia (P-fac)
600 N. Michigan Avenue
Room 1309B
Chicago, IL 60605

Case Number: 310-6003068()
LM Number: 544427

Dear Ms. Vallera:

This office has recently completed an audit of Part-time Faculty Association of Columbia (P-fac) 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, attorney Mike Persoon, and Chairperson Susan Tyma on May 22, 2015, 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 P-fac's 2013-2014, records revealed the following recordkeeping violations:

1. General Reimbursed and Debit Card Expenses:

P-fac did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by union officers and employees totaling at least \$8,838. Officers incurred charges using the union debit card totaling at least \$2,600, at retail stores, restaurants, for transportation and parking and for “technical services,” but the only supporting documentation retained was the bank statement. For example, there was a charge at Costco totaling \$806.59; two charges at Office Depot totaling \$229.38; a charge at Office Max totaling \$426.66 and charges at Constant Contact totaling \$350.68, during the 2014 audit period. Bank statements alone are not sufficient to fulfill the recordkeeping requirement for debit card transactions.

As another example, union records show that officers were routinely reimbursed for parking, taxi, train and other forms of transportation, but did not retain adequate documentation to support payments totaling at least \$2,300. For example, you were reimbursed for 54 claims of parking and taxi expenses that did not contain any supporting documentation. As another example, then Secretary [REDACTED] had 21 claims of parking and taxi expenses where no supporting documentation was retained.

In addition, you and [REDACTED] received reimbursement for child care and “dependent care” (dog walking services), respectively, totaling at least \$2,690. Union records show that you were reimbursed for 44 days of child care, but the only supporting documentation retained were union Recompense & Expense Forms, email requests or a “Reimbursement for Expense.” Union records show that [REDACTED] was reimbursed 27 instances of “dependent care” also referred to as “doggie care,” “DC,” or “dog care,” but the only record maintained was a union voucher.

As yet another example, on two occasions, you were issued checks (check number [REDACTED] and check number [REDACTED]) for payments recorded on check stubs as “Expense” and “Barg →3/20,” respectively, totaling at least \$2,830, where there was no supporting documentation other than a hand written check stub.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. For debit or credit cards, original receipts include itemized receipts for each debit card and credit card charge, including invoices, transportation costs, and itemized meal receipts. During the exit interview, I provided you with OLMS Compliance Tips regarding reimbursed expenses and union credit and debit card policies, which further explains the recordkeeping requirements and provides internal control recommendations. The president and treasurer (or corresponding principal officers), who are required to sign your union’s LM report, are responsible for properly maintaining union records.

2. Meal Expenses

P-fac did not always require officers and employees to submit itemized receipts for meal expenses totaling at least \$883. The union must maintain itemized receipts provided by restaurants to officers and employees. For example, you provided receipts for meal expenses incurred by you at several restaurants totaling at least \$234, while attending a National Education Association Higher Education conference in Portland, Oregon, that are not itemized as to what was purchased. In addition, you provided receipts for meal expenses at local restaurants in Chicago, IL, totaling at least \$250 that are not itemized as to what was purchased. Likewise P-fac Grievance Chair Susan Tyma and Membership Chair Elizabeth Yokas provided meal receipts for meal expenses at local restaurants in Chicago that are not itemized totaling at least \$396. Itemized original receipts provided by restaurants to officers must be retained. In the case of P-fac, many of the meal expenses were incurred at restaurants that routinely provide customers with itemized receipts. 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.

P-fac records of meal expenses (including receipts for individual purchase of coffee, bottled water and snacks) rarely include written explanations of union business conducted or the names and titles of the persons incurring meal expenses totaling at least \$3,900. 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. Reimbursed Auto Expenses

Union records show that you received reimbursement for business use of your personal vehicle but did not retain adequate documentation to support payments to you totaling at least \$2,035 for mileage during the audit year. The union retained "Recompense and Expense Form's" and "Reimbursement for Expense" records, however, you failed to list the exact locations traveled to and from, and the specific union business purpose that required the expense. Records show you listed the same general purpose for all claims ("trial dates and attorney meetings, trainings, search committee, bargaining") which is not sufficiently descriptive to substantiate the mileage for a given trip. The union must maintain records which identify the individual dates of travel, actual locations traveled to and from, and actual number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Telephone and Internet Fees

During the audit year, the union reimbursed you for your personal telephone and internet bills totaling at least \$450. However, you failed to submit adequate documentation to P-fac for the payment of personal telephone and internet bills, by not submitting any supporting

documentation. If the union pays for any business calls made from an individual's personal telephone, or pays the entire bill, either as a direct payment to the telephone company or as reimbursement to the individual, P-fac must retain original telephone bills. In addition, the documentation retained must clearly note the charges paid by P-fac.

5. Payments for Personal Time to Conduct Union Business – (“Recompense” Payments)

P-fac did not retain adequate documentation for salary payments for personal time worked for conducting union business, totaling at least \$44,000. The union refers to these salary payments as “recompense” payments. During the audit, you stated that officers and employees are entitled to recompense payments for personal time spent on bargaining, grievances, and other union meetings. You also said that members are paid \$50.00 for the first hour and \$30.00 for each additional hour while attending meetings dealing with “contract administration and enforcement;” however this information could not be verified in the P-fac records provided. The audit found that the union maintained check stubs and Recompense and Expense Forms and typed work-papers which identified the purpose of recompense as “bargaining,” “barg,” “grievance,” “Reps. Assembly,” “General Membership Meeting,” etc., but did not always identify the date of the claim, the hours claimed, the rate of pay, or the specific business purpose being conducted.

6. Receipt Dates not Recorded

Entries in P-fac's QuickBooks financial database and copies of the checks deposited reflect the date the union deposited money, but not the date money was received from each member. 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.

7. Lack of Salary Authorization

Officer and employees of P-fac received salary payments totaling at least \$44,000. However, P-fac did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. As noted above, during the audit year, officers and employees received \$44,000 in “recompense” payments. In addition, P-fac paid Bookkeeper Gita Kapila approximately \$3,400 for “professional bookkeeping services.” Further, you, Membership Chair Elizabeth Yokas, Publicity Chair Rosalind Cummings-Yates and Ms. Tyma, all members of the steering committee received lump sum salary payments totaling at least \$8,000. During the audit, you advised that in lieu of “meeting recompense,” the steering committee voted to pay you and [REDACTED] a “lump sum” payment, because the meetings recompense “would have bankrupted the union.” You

advised that the authorization for recompense, bookkeeper's salary and lump sum payments could be found in the meeting minutes. However, the 2013-2014 steering committee meeting minutes do not reflect the salary authorizations, nor do they sufficiently detail the reason for lump sum payments. The union must keep a record, such as detailed meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

8. Lack of Child Care and Dependent Care (Dog Walking) Authorization

P-fac did not maintain records to verify that child care and dependent care (dog walking) reimbursements, which should have been included in the total reported in Item 24(D) (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. During the audit, you advised that the steering committee authorized these expenses, and the authorization was recorded in the 2014 meeting minutes. You also advised that the steering committee authorized these expenses again in 2015 and recorded the authorization in the minutes "for the benefit of the new treasurer." However, the 2014 meeting minutes do not reflect any authorization regarding child care and dependent care. The union must keep a record, such as meeting minutes, to show that child care and dependent care is currently authorized by the entity or individual in the union with the authority to establish the payment of these types of expenses.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file P-fac'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. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of 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 209(c) and 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.

This office is available for any compliance assistance guidelines you may need in addition to that which you may receive from outside legal counsel and outside professional accounting services.

Based on your assurance that P-fac will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations. However P-fac's records will be reviewed by OLMS again within the next several years to ensure that the recordkeeping violations noted above have been corrected.

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 P-fac for fiscal year ending June 30, 2014, was deficient in the following areas:

1. Trusts or Funds

Item 11 (During the Reporting Period Did Your organization create or participate in the administration of a trust or other fund or organization, as defined in the instructions, which provides benefits to members or their beneficiaries) was erroneously answered, "Yes." During the audit you informed OLMS that P-fac did not create or participate in the administration of a trust or other fund or organization, which provides benefits to members or their beneficiaries. Therefore, Item 11 should have been answered "No."

2. Political Action Committee Funds

Item 12 (During the reporting period did your organization have a political action committee (PAC) fund?) was erroneously answered, "Yes," because during the audit, you advised that P-fac did not have a political action committee (PAC) fund. Therefore, Item 12 should have been answered "No."

3. Additional Positions of Officers

Item 16 (During the reporting period did your organization have any officer who was paid \$10,000 or more by your organization and also received \$10,000 or more as an officer or employee of another labor organization or of an employee benefit plan?) was erroneously answered, "Yes." During the audit, you advised that P-fac did not have any officer who was paid \$10,000 or more by your organization and also received \$10,000 or more as an officer or employee of another labor organization or of an employee benefit plan. Therefore, Item 16 should have been answered "No."

4. Disbursements to Officers

P-fac did not include some reimbursements to officers totaling at least \$6,500, in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, the union's records show that Ms. Tyma received \$18,217 in total disbursements; however, only \$11,639 was reported in Column F (Total). It appears P-fac failed to report salary payments for "recompense" in Item 24. These payments appear to be erroneously reported elsewhere on the report. In addition, P-fac reported nothing in Column D (Gross Salary) and Column E (Allowances and Other Disbursements) for any of the officers.

The union must report most direct disbursements to P-fac 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).

5. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the correct “book” cash figures as reconciled with 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. The cash balances as reflected in Item 25 should accurately represent the cash beginning and ending balances on your union books as reconciled with the bank balances. The audit revealed that P-fac does not record beginning and ending book balances as part of the Union records.

6. Disbursements to Employees/Professional Fees

Item 49 Professional Fees (Cash Disbursements) reported the amount of \$4,400. The audit revealed that bookkeeper Ms. Kapila was paid four payments totaling \$3,400. For example, a review of the union records revealed that recordkeeping error’s on a check stub and a QuickBooks entry resulted in recording an additional \$1,000 payable to Ms. Kapila when the amount was actually paid to Ms. Tyma, by check number [REDACTED] dated September 6, 2013. Since Ms. Kapila is a member and an employee of the Union, these payments should be reported in Item 46 (To Employees) instead of Item 49.

P-fac must file an amended Form LM-3 for fiscal year ending June 30, 2014, 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 Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than June 22, 2015. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you attorney Mike Persoon, and Chairperson Susan Tyma, the audit revealed that P-fac does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. The audit revealed that individuals were frequently reimbursed for individual purchase of coffee, bottled water, meals and snacks while attending meetings and bargaining. The frequency and regularity of the meetings, and the fact that they take place at a time when the officers would otherwise normally be paying for meals themselves, appear to indicate that the meals are more for the personal benefit of the

officers rather than necessary for conducting official union business. Although P-fac might allow individuals to be reimbursed for such items, be aware that, in the event the Union is required to file an LM-2 in the future, disbursements for expenses not necessary for conducting union business must be reported in Column G of Schedules 11 and 12 of the LM-2. Further, such disbursements may be considered taxable income for income tax reporting purposes. OLMS recommends that unions adopt written guidelines that identify what types of expenses will be paid.

2. Excess Payment

The audit revealed that Ms. Tyma was reimbursed for expenses, including a taxi expense in the amount of \$25.65 by check number [REDACTED] dated July 19, 2013, in the total amount of \$204.23. The union records do not contain an original receipt; however, a copy of the receipt retained by the union shows mileage for 1.1 miles, recording the start and end times as 09:53 and 09:58 respectively with a fare of \$5.65. This receipt also shows that the fare was hand altered to reflect \$25.65. During the exit interview, Ms. Tyma acknowledged being reimbursed \$25.65 for taxi fare. OLMS recommends that P-fac review its voucher and disbursement procedures to improve internal control of union funds. If any repayment is made to P-fac, I would appreciate it if you would provide evidence of that payment to me.

3. Meeting Recompense Policy – Payments to Officers and/or Chairpersons

During the audit, you advised that meeting recompense is a “time reimbursement.” Officers and employees of the union receive meeting recompense at the rate of \$50 for the first hour and \$30 for each additional hour. Meeting recompense is paid for “contract administration and enforcement.” Typically meeting recompense occurs during meetings with the college including contract negotiations and employer-union workgroups. The meeting recompense is not paid for preparation for these meetings, but the meetings themselves. You advised that this is an unwritten policy that the local has been operating under for many years. OLMS recommends that your union adopt written guidelines for the disbursements for these salary payments as such policies which can help ensure effective control over union finances.

4. Tax Withholdings

The audit revealed that P-fac may be improperly following state or federal requirements for withholding of various taxes from payments to officers and employees. While P-fac itself may be exempt from income taxes, payments made by P-fac to officers and employees are not exempt, except in certain circumstances. As noted above, during the audit year officers and employees received over \$44,000 in salary payments. These payments (regardless of what they are called) are intended to compensate the officers and employees for the work that they do and are not intended to be reimbursement to them for any specific expenses. While this office has no authority to interpret the state or federal tax code, it is my understanding that all salary and supplemental payments are subject to the withholding of

income, Social Security, and Medicare taxes and that P-fac as an “employer” must also pay its share of Social Security and Medicare taxes. P-fac may be liable for the Federal Unemployment Tax (FUTA) as well. OLMS recommends that you contact the Illinois Department of Revenue and the Internal Review Service for further guidance.

5. Records Management Policy

As further discussed during the exit interview with you, attorney Mike Persoon, and Chairperson Susan Tyma, the audit revealed that P-fac does not have a clear policy regarding the types of union records it is required to maintain. The LMRDA requires, in part, that unions meet basic standards of fiscal responsibility. To ensure compliance with the LMRDA, every person required to file a report with OLMS must maintain records on the matters required to be reported which will provide in sufficient detail necessary, basic information and data from which the documents filed may be verified, explained, or clarified as well as checks for accuracy and completeness. OLMS suggests that unions adopt a written records management policy that covers both hard copy and electronic records providing specific guidance to current and future officers, employees and members of the union to ensure consistency in recordkeeping.

I want to extend my personal appreciation to Part-time Faculty Association of Columbia (P-fac) 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. Andrew Wilson, Treasurer
[REDACTED], Former Treasurer
Ms. Christina Gonzalez-Gillett, Membership Chair
[REDACTED], Former Secretary
Ms. Susan Tyma, Grievance Chair
Ms. Rosalind Cummings-Yates, Publicity Chair
[REDACTED], Former Publicity Chair
Ms. Elizabeth Yokas, Membership Chair
Ms. Gitanjali Kapila, Bookkeeper
Mr. Michael Persoon, Esq.