

U.S. Department of Labor

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January 23, 2008

Ms. Cynthia Cunningham Manning, President
Communication Workers Local Union 4401
617 Vine Street Suite 1432
Cincinnati, OH 45202

LM File Number: 064-219
Case Number: [REDACTED]

Dear Ms. Cunningham Manning:

This office has recently completed an audit of Communication Workers Local Union 4401 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 Investigator Melissa Castillo discussed during the exit interview with you and current Secretary-Treasurer Altha Hunter on December 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 4401's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 4401 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by the union officers. For example, in three different instances Vice President Alyce Davis was reimbursed by the union for using her personal accounts to pay for either hotel or airfare expenses for upcoming union conventions. The total of the three reimbursements was \$2,209.06 (checks [REDACTED], [REDACTED], & [REDACTED]). However, Davis did not provide Local 4401 copies of her bank or credit card statements to show verification that she actually incurred the expenses. Davis was also reimbursed for mileage, totaling \$22.50 (check [REDACTED]) in October of 2005, but did not provide any supporting documentation.

Davis and Secretary-Treasurer Susan Sexton did not consistently provide supporting documentation necessary for their parking expenses incurred during the 2006 audit year. Davis only provided receipts for May, June and August 2006. Sexton did not provide receipts for December 2005 and June 2006.

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. General Records

Local 4401 failed to maintain records that support the general course of union business. For example, Local 4401 was unable to provide OLMS with various bank and investment statements. The union was missing investment statements from Legg Mason for December 2005 for account [REDACTED] (Retirement Fund) and October and December 2005 for account [REDACTED] (Defense Fund). Local 4401 failed to maintain the fourth quarter bank statement for their certificate of deposit (account [REDACTED] from AurGroup Credit Union.

Local 4401 did not have cancelled checks or check images within their records.

The union also failed to retain deposit slips and receipts in order to support the union's cash and check deposits (i.e., candy money).

Local 4401 did not maintain general membership and executive board meeting minutes with their records. The union did not have general membership meeting minutes for March and September 2006. The union only provided executive board meeting minutes for January and May 2006. Article XII, Section 1(B3h) of Local 4401 bylaws states that the local secretary-treasurer shall: Maintain a record of the Local membership and keep minutes of all local meetings and meetings of local officers.

According to Sec. 206 of the LMRDA, records must be maintained on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed can be verified, explained and checked for accuracy and completeness.

3. Meal Expenses

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.

Local 4401 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, in July of 2006, Local 4401 used the credit card and charged a meal at Olive Garden. A receipt was provided by the officer but no additional information was offered. 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.

4. Cash Journal

Local 4401 failed to maintain a record of checks written to cash. The union negotiated three checks to cash during the 2006 audit year: checks [REDACTED], [REDACTED], and [REDACTED] for a total of \$94.64. The union did not create any type of log to accurately manage the disbursements made with the cash.

OLMS does not require unions to refrain from writing checks to cash. However, under the LMRDA a record is required to provide sufficient detail for any union monies negotiated for the general course of union business.

5. Disposition of Property

Local 4401 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

6. Lost Wages

Local 4401 did not retain adequate documentation for lost wage reimbursement payments to its officers. For example, check 14706 made payable to Susan Sexton for lost wages had no supporting documentation. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 4401 did maintain local expense vouchers and union work reports; however, there were many instances identified by OLMS in which the officer claiming lost time failed to identify the date union business was being conducted, the number of hours being claimed, and/or a description of the union business conducted. For example Vice President Davis had twenty-five checks made payable to her for lost time where the attached vouchers did not have dates, Sexton had twenty-six.

7. Lack of Salary Authorization

Local 4401 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the Form LM-3 were the authorized amount and therefore were 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.

Based on your assurance that Local 4401 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 Local 4401 for fiscal year ending September 30, 2006, was deficient in the following areas:

1. Disbursements to Officers

Local 4401 did not report the names of all officers and positions held during the 2006 audit year, whether past or current. The union must report in Item 24 all persons who held office during the year, regardless if the person was removed from office during the audit year or changed positions. All positions per person must be listed with any respective payments from the union.

The union must report most direct disbursements to Local 4401 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. Initiation Fees

Item 23B (Initiation Fees) of the LM-3 Annual Report should have been answered with a monetary value instead of a zero because Local 4401 collects an initiation fee of \$1.00 per new member. The union must identify all fees collected during the fiscal year and accurately report them on the LM-report.

I am not requiring that Local 4401 file an amended LM report for 2006 to correct the deficient items, but Local 4401 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Inventory of Fixed Assets

Local 4401 did not maintain an inventory of its fixed assets during the 2006 audit year. An inventory should be kept to verify, support, and clarify the amounts reported in item 29 of the LM-3. The union must report details of all fixed assets, such as land, buildings, automobiles, office furniture and equipment owned by your organization at the end of the reporting period. This includes assets that were expensed, fully depreciated, or carried on your organization's books at scrap value.

The inventory kept by the union should record a detailed description of what was purchased, the date of the purchase, the amount of the purchase and the depreciated value. The report should be kept with the union records.

2. Signing Blank Checks

During the audit, you provided me with copies of Local 4401's checks. A couple copies indicated that a check was pre-signed. For example check 14685 was pre-signed by you and then completed and signed by Secretary-Treasurer Susan Sexton. Your union requires that all checks be signed by the president, treasurer or vice president. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 4401 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Communication Workers Local Union 4401 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance

Ms. Cynthia Cunningham Manning
March 17, 2008
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materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

Lesta A. Chandler
District Director