

**U.S. Department of Labor**

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June 5, 2009

Mr. Ernest Anderson, Financial Secretary  
Communications Workers AFL-CIO  
Local 88643  
102 Miller Rd.  
Sarver, PA 16055

LM File Number 056-003

Case Number: [REDACTED]

Dear Mr. Anderson:

This office has recently completed an audit of CWA Local 88643 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 President George Latta on June 5, 2009, 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 88643's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 88643 did not retain adequate documentation for reimbursed expenses incurred by Financial Secretary Ernest Anderson totaling at least \$8.40. For example, Financial Secretary Anderson lost a postage receipt for a book of stamps for which he was reimbursed.

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

Local 88643 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,690. 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 88643 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, President Latta incurred approximately \$1,476 in reimbursed meal expenses in which he failed to provide an explanation of the union business conducted and the names and titles of persons attending the meal.

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. Failure to Record Receipts

Local 88643 did not record in its receipts records some dues checkoff checks electronically deposited to the local's bank totaling at least \$2,223. For example, Local 88643 failed to record direct deposits received on February 20, 2008, May 30, 2008, and September 26, 2008. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Receipt Dates not Recorded

Entries in Local 88643's check register failed to note the date the union received electronic dues deposits. 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.

Based on your assurance that Local 88643 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 88643 for fiscal year ending September 30, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 88643 did not include some reimbursements to officers totaling at least \$291 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local 88643 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. 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. Local 88643 amended its constitution and bylaws in 1996, but did not file a copy with its LM report for that year.

Local 88643 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 88643 file an amended LM report for 2008 to correct the deficient items, but Local 88643 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Use of Signature Stamp

During the audit, you advised that it is Local 88643's practice to sign all union checks using your and President Latta's signature stamps. Article V, Sections 2

and 4 of Local 88643's bylaws requires that checks be signed by the president and financial secretary-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, the use of a signature stamp does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 88643 review these procedures to improve internal control of union funds.

2. Signing Blank Checks

During the audit, you advised that you occasionally sign blank checks. Your union's bylaws require that all checks be signed by the president and financial secretary-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, 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 88643 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to CWA Local 88643 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,



Investigator

cc: President George Latta