

U.S. Department of Labor

Office of Labor-Management Standards
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July 29, 2010

Ms. Diane Keenan, Treasurer
Central Ohio Association of Catholic Educators
2892 Bryden Road
Columbus, OH 43209

LM File Number 540-145
Case Number: [REDACTED]

Dear Ms. Keenan:

This office has recently completed an audit of Central Ohio Association of Catholic Educators (C.O.A.C.E.) 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 July 22, 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.

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 C.O.A.C.E.'s 2009 records revealed the following recordkeeping violations:

1. General and Reimbursed Expenses

C.O.A.C.E. did not retain adequate documentation for reimbursed expenses incurred by officers and employees totaling at least \$2,235.00. For example, original receipts to support reimbursements to officers and employees for snacks/meals, office supplies, stamps, postage, newsletters, and computer repairs were not retained.

Furthermore, C.O.A.C.E. did not retain adequate documentation for union expenses totaling at least \$8,000.00. These expenses included scholarship donations to various schools/students.

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

C.O.A.C.E. officers and employees did not submit itemized receipts for meal expenses totaling at least \$200.00. 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.

C.O.A.C.E. 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 Kathleen Mahoney submitted meal

receipts for Panera, Rusty Bucket, and the Renaissance but did not include the union purpose or attendees. 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. Documentation of Receipts

The treasurer as well as the building representatives collected dues payments from members at their respective schools but neglected to maintain records to document the date, source, or amount collected. Furthermore, C.O.A.C.E. failed to maintain employer check off lists to verify dues payments. Union receipts records must be maintained and 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 to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3.

4. Lack of Salary Authorization

C.O.A.C.E. 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. 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.

5. Bank Statements

C.O.A.C.E. did not maintain bank statements to verify the value of a certificate of deposit. The union must 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file C.O.A.C.E.'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.

Based on your assurance that C.O.A.C.E. 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 C.O.A.C.E. for fiscal year ending June 30, 2009, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

C.O.A.C.E. did not include some reimbursements to officers totaling at least \$19,000.00 in the amounts reported in 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 C.O.A.C.E. 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. Certificates of Deposit Reported As Investments

C.O.A.C.E. improperly included the value of a certificates of deposit as an investments in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and,

therefore, the local should not report these transactions as receipts or disbursements.

3. Loans Made

C.O.A.C.E. did not include a loan issued to Treasurer Diane Keenan for \$2,208.00 in Item 53 (Loans Made). It appears the union erroneously reported this payment in Item 24. The union must report the total disbursements for loans made by your organization, including all direct and indirect loans, advances, and salary advances in Item 53.

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. During the audit, you advised that C.O.A.C.E. amended its constitution and bylaws, but did not file a copy with its LM report for that year.

C.O.A.C.E. has now filed a copy of its constitution and bylaws.

C.O.A.C.E. must file an amended Form LM-3 for fiscal year ending June 30, 2009, 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 August 16, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

Loans

The audit revealed a violation of LMRDA Section 503(a) which prohibits labor organizations from making direct or indirect loans to any officer or employee of the labor organization which results in a total indebtedness on the part of such officer or employee to the labor organization in excess of \$2,000.00 at any time. As already outlined, salary advances are considered loans. As Treasurer, Diane

Keenan received a salary advance in the amount of \$2,208.00 during the audit period in violation of Section 503(a).

It is noted that the loan has been repaid in its entirety through withholding of a salary payment in the subsequent fiscal year. As a result, no further action will be taken at this time regarding this matter.

Other Issues

1. Duplicate Receipts

Some members of C.O.A.C.E. pay dues directly to the union. The treasurer or building representatives recorded dues payments on a list but did not issue receipts to dues payers. OLMS recommends that C.O.A.C.E. use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Use of Signature Stamp

During the audit, you advised that it is C.O.A.C.E.'s practice for the treasurer to sign all union checks and to stamp the signature of President Kathleen Mahoney on union checks as well as the LM-3 report. You advised that C.O.A.C.E. requires 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. Furthermore, the LM-3 report must contain original signatures of the primary officers. OLMS recommends that C.O.A.C.E. review these procedures to improve internal control of union funds.

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I want to extend my personal appreciation to Central Ohio Association of Catholic Educators 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,



Lead Investigator

cc: Kathleen Mahoney, President