



September 30, 2010

Mr. Gary Laabs, President
Communication Workers Local 4620
P.O. Box 323
Green Bay, WI 54305-0323

Case Number: [REDACTED]
LM Number: 020580

Dear Mr. Laabs:

This office has recently completed an audit of Communication Workers Local 4620 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 today with Treasurer Sandra Dunand 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 4620's 2009 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 4620 did not require you to submit itemized receipts for meal expenses totaling at least \$500. You submitted only the credit card slips with your expense vouchers that identified only the date, amount, and vendor. Itemized receipts provided by restaurants to officers and employees must be maintained. 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.

In addition, while records of meal expenses usually included identified the union business being conducted, the records did not always include the names and titles of the persons incurring the restaurant charges. Local 4620 and its officers incurred at least \$1,200 in meal expenses for which they failed to record the names of those present on the voucher or the restaurant receipt for those meal expenses. 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.

2. Reimbursed Auto Expenses

Officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$600. While officers and employees submitted vouchers that identified the number of miles driven and the purpose of each trip, they failed to include the location traveled to and from. In the case of reimbursed mileage expenses, Local 4620 must maintain records which identify the dates of travel, locations traveled to and from, and 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.

3. Lost Wages

Local 4620 did not retain adequate documentation for lost wage reimbursement payments to you, Vice President Eric Stanke, and Chief Steward Brad Delveaux totaling at least \$6,000. 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 audit found that Local 4620 maintained vouchers in support of lost wage claims, but that the vouchers did not always include the dates lost wages were incurred. In addition, you and the other officers sometimes failed to include an adequate description of the union business conducted. As an example, some vouchers identified the purpose of the payments as for "union business" or "lost wages," which are not sufficiently descriptive.

4. Receipt Dates and Sources not Recorded

Local 4620 records its receipts only in QuickBooks accounting software. Entries in Local 4620's QuickBooks general ledger for the holiday party and other miscellaneous receipts reflect the date money was deposited and do not identify the date money was received, or

the sources of the payments, or the individual amounts received. Receipts records must show the date, amount, and source of all receipts in at least one union record. The date of receipt is required to be recorded in union records 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 reporting some receipts on the LM-3 for a different year than the year it actually received them.

Based on your assurance that Local 4620 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 4620 for fiscal year ended September 30, 2009 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away t-shirts, sweatshirts, and pocket calendars totaling more than \$2,500 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Disbursements to Officers

Local 4620 did not include a reimbursement to Chief Steward Brad Delveaux totaling at least \$1,337 in the amount reported next to his name in Column E (Allowance and Other Disbursements) of Item 24 (All Officers and Disbursements to Officers). Local 4620's general ledger shows that Mr. Delveaux received \$3,156 in direct reimbursements, but only \$1,819 is reported in Column E. It appears the union erroneously omitted this payment from the LM-3 report (see item three below).

Most direct disbursements to Local 4620 officers and some indirect disbursements made on behalf of its officers must be reported 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).

3. Statement B (Receipts & Disbursements)

Local 4620 misreported both receipts and disbursements by at least \$2,497. The general ledger also shows that Local 4620 disbursed an additional \$2,497 that was not reported. Local 4620's general ledger shows \$53,789 was received during 2009. However, the amount reported in Item 44 (Total Receipts) is \$51,262. The check register shows \$74,447 was disbursed during 2009. The amount reported in Item 55 (Total Disbursements) is \$71,950. The general ledger shows \$1,160 of the receipts and disbursements not recorded are related receipts and disbursements for the holiday party. The remaining \$1,337 of receipts and disbursements not recorded are for an "overpayment" to Chief Steward Delveaux. Treasurer Dunand advised that three vouchers were incorrectly added causing the overpayment. Mr. Delveaux promptly reimbursed Local 4620.

The purpose of Statement B (Receipts & Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. "Netting" is offsetting of receipts against disbursements and reporting on the balance (net) as either a receipt or disbursement. The amount received from members for the holiday party and the reimbursement from Chief Steward Delveaux should have been reported in Item 43 (Other Receipts). The excess disbursement (overpayment) to Chief Steward Delveaux should have been reported next to his name in Item 24 (see item two above) and the disbursements for the holiday party should have been included in the amounts reported in Item 48 (Office & Administrative Expenses), and/or Item 54 (Other Disbursements).

I am not requiring that Local 4620 file an amended LM report for 2009 to correct the deficient items, but Local 4620 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Lost Wage Policy

The audit revealed lost wage reimbursements to Chief Steward Brad Delveaux for 216 hours between October 1, 2008 and September 30, 2009. AT&T records indicate Mr. Delveaux was on unpaid leave for union business for only 188 hours. For the 28 hour difference, Mr. Delveaux was either not at work, not scheduled to work, or received paid leave from the employer for union business.

Secretary Treasurer Sandra Dunand advised that Mr. Delveaux mostly likely recorded the wrong date on his voucher to Local 4620 or recorded an incorrect code in his time sheet.

Regarding those instances where Mr. Delveaux received lost wage payments from the union but did not lose any wages from AT&T, Ms. Dunand advised it is permissible for an officer to be compensated for lost personal time, if his or her scheduled day off was during the week, and he or she was required to perform union business on their day off. For example, on Wednesday, July 1, 2009, Mr. Delveaux was not at work and was not scheduled to work but claimed four and half hours of “lost wages.” Ms. Dunand stated that it was probably Mr. Delveaux’s scheduled day off during the week since he usually works for AT&T on the weekends. Mr. Delvaux would be entitled to receive pay for “lost personal time” on that day while processing grievances or performing other union business.

The provision for pay for lost personal time described by Ms. Dunand is not recorded in Local 4621’s bylaws or any other record, and according to Ms. Dunand is an unwritten policy that the local has been operating under for many years. OLMS recommends Local 4621 adopt written guidelines for reimbursement of lost wages and compensation for lost personal time as such policies can help ensure effective control over union finances. In addition, verification of lost time claims submitted by union personnel by either allowing trustees to compare lost time claims to employer records or by requiring union personnel to submit proof of lost wages claimed (for example time cards) can be an effective internal control for such payments.

2. Duplicate Receipts

Local 4620 collects cash and checks for its annual holiday party as well as occasional miscellaneous receipts. Local 4620’s dues are directly deposited through electronic fund transfers into its general checking account. Treasurer Dunand stated Local 4620 records holiday party and miscellaneous receipts in QuickBooks, and Local 4620 does not issue receipts to the members.

OLMS recommends that Local 4620 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. Issuing duplicate receipts will also assist Local 4620 of fulfilling the recordkeeping requirements for receipts. 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.

3. Signing Blank Checks

During the audit, Secretary Treasurer Dunand advised that you or Vice President Stanke pre-signs approximately five blank checks per month. 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 4620 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Communication Workers Local 4620 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: Ms. Sandra Dunand, Secretary Treasurer
Mr. Eric Stanke, Vice President