



December 6, 2013

Ms. Lisa Hicks, President  
Communication Workers Local 7500  
101 S Fairfax  
Sioux Falls, SD 57103-1621

Case Number: 320-3308911 [REDACTED]  
LM Number: 020013

Dear Ms. Hicks:

This office has recently completed an audit of Communication Workers Local 7500 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 Secretary Treasurer Jane Davis and you on November 26, 2013, 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 7500's records revealed the following recordkeeping violations:

#### 1. Lost Wages

Local 7500 did not retain adequate documentation for lost wage reimbursement payments to you totaling at least \$14,464, to former Vice President [REDACTED] totaling at least

\$4,144, and to former Secretary Treasurer Lisa Lee totaling at least \$3,958.50. 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 while Local 7500 required officers to complete lost time vouchers, officers did not identify the union business conducted on almost all of the vouchers, and most of the vouchers did not reflect the applicable rate of pay. The purpose entered on almost every lost wage voucher submitted to Local 7500 by the officers was "union business." A more detailed description of the union business conducted that required the lost wages to be incurred must be recorded on officers' lost wage vouchers.

## 2. General Reimbursed and Credit Card Expenses

Local 7500 did not retain adequate documentation for reimbursed expenses and credit card expenses you incurred totaling at least \$3,088.02. For example, no receipts were found for two credit card charges you made at Ramada Mall of America in Bloomington, MN on February 24, 2012 in the amount of \$406.80 each. Other charges you made for which no receipts were found include a charge of \$305.00 at Days Inn in Bismarck, ND on March 2, 2012, \$132.55 at Settle Inn in Fargo, ND on March 4, 2012, and \$126.72 at Holiday Inn Express in Rapid City, SD on February 10, 2012. No records other than the credit card statements were retained for these types of expenses, though you explained the business reason associated with each expense during the exit interview.

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.

## 3. Meal Expenses

Local 7500 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$350.47. 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. Meals you charged for which receipts maintained by Local 7500 reflect only the total amount of the charge include two meals at Skeeters in Woonsocket, SD on December 6, 2011 in the amount of \$43.64 and on February 6, 2012 in the amount of \$30.00.

Local 7500 records of meal expenses did not always include written explanations of union business conducted and none included the names and titles of the persons incurring the restaurant charges. For example, no purpose was included, and the names of the persons who had a meal at Grille 26 restaurant in Sioux Falls, SD on October 10, 2011 in the amount of \$88.87 were not recorded on the back of the receipt for the meal from this restaurant you submitted, and this information was not found to be recorded in any other

union record. In another example, no information was recorded on the back of a receipt for a meal at Cherry Street Grill in Vermillion, SD on November 20, 2011 in the amount of \$40.00 submitted by former President [REDACTED]. Other meals you charged for which no receipts were found include a meal at Olive Garden in Sioux Falls, SD on April 13, 2012 in the amount of \$81.75, Café Paradiso in Washington, DC on January 31, 2012 in the amount of \$35.43, and Fuddruckers in Rapid City, SD on February 10, 2012 in the amount of \$30.78.

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 record retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

#### 4. Failure to Record Receipts

Local 7500 does not maintain any record into which an adequate identification of some money the union receives is recorded. While Local 7500 does record some deposits of money received into its QuickBooks file, the information recorded does not provide all of the required information. Local 7500 must maintain a record which shows the date and amount received, and the source of all money it receives. Most of the QuickBooks entries include the date the money was deposited but not the date the money was received, and these entries usually include the total amount of the deposit and do not individually identify the amount and source of each receipt.

Local 7500's receipts consist primarily of dues from CWA International Union which are remitted to Local 7500 from the CWA directly into Local 7500's general fund checking account. Bank statements covering the months for which these deposits are made are generally a sufficient record for these receipts because they identify the source and the deposit date is the same as the receipt date. However, Local 7500 does not maintain any record which provides an adequate identification of any money received by Local 7500 from any other source or for any other purpose. Local 7500 must maintain a record which identifies the date, amount, and source of each individual receipt.

Based on your assurance that Local 7500 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 7500 for fiscal year ending September 30, 2012 was deficient in the following areas:

##### 1. Disbursements to Officers

Local 7500 did not include some reimbursements to officers totaling at least \$579.72 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense) because payments reported in other disbursements categories on the report appear to have been reported properly. The union must report most direct disbursements to Local 7500 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 and bylaws. Local 7500 amended its bylaws in May 2012, but did not file a copy with its LM report for that year.

Local 7500 has now filed a copy of its bylaws.

## 3. Acquire/Dispose of Property

Item 13 of the LM-3 (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 items purchased as prizes for the Local 7500 October 2011 CWA COPE PAC fund fundraising event. The union must identify the type and value of the property given away in the additional information section of the LM report along with the identity of the recipient(s) and donor(s) of such property.

## 4. Only One Signature on the Report

The 2012 LM-3 bears only your signature. When the report was filed, you signed the report on the lines for the president and treasurer or corresponding principal officers, (Items 26 and 27). The completed LM-3 that is filed with OLMS must be signed by both the president and treasurer, or corresponding principal officers, of the labor organization. You stated that you do not recall why you were the only officer who signed the report. If the report is signed by an officer other than the president or treasurer, you must enter the correct title in the title field next to the signature and explain in Item 56 (Additional Information) why the president or treasurer did not sign the report. Local 7500 has agreed to file all future reports with the appropriate signatures affixed.

I am not requiring Local 7500 to file an amended report for 2012 to correct the deficient items, but Local 7500 has agreed to properly report the deficient items on all future reports with OLMS.

I want to extend my personal appreciation to Communication Workers Local 7500 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter is passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

A solid black rectangular box redacting the signature of the investigator.

Investigator

cc: Ms. Jane Davis, Secretary Treasurer