



April 4, 2018

Ms. Rita Schwartz, President
National Association of Catholic School Teachers
Local 1776
1700 Sansom Street, Suite 903
Philadelphia, PA 19103

Case Number: 140-6012313
LM Number: 507227

Dear Ms. Schwartz:

This office has recently completed an audit of National Association of Catholic School Teachers Local 1776 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, Treasurer Theresa Lazorko, and Office Secretary Virginia Crowther on March 27, 2018, 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 1776's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1776 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by President Rita Schwartz and Vice President Irene Tori totaling at least \$2,022.69. For example, there were frequent charges in the approximate amount of \$25.00 at the Sheraton City Center, Philadelphia, PA. Other records disclosed these were most likely parking charges related to contract meetings. Other charges for which there was no backup documentation were purchases such as office supplies, checks and software upgrades which appeared to have been purchased online. You agreed to provide not later than April 10, 2018 backup documentation for a purchase on December 14, 2016 in the amount of \$1,040.00 for AMC group ticket sales.

As 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. Failure to Record Receipts

Local 1776 did not record in its receipts records a deposit of \$102.00 into the general checking account on September 12, 2016 which was reflected on the bank statement. 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.

Based on your assurance that Local 1776 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-2 filed by Local 1776 for the fiscal year ended August 31, 2017, was deficient in the following areas:

1. Disbursements to Officers

Local 1776 did not include some salary payments to officers totaling at least \$15,844 in Schedule 11 (All Officers and Disbursements to Officers), Column D (Salary). It appears that the local erroneously reported these payments in Schedules 11, Column E (Allowances).

Local 1776 did not include in Schedule 11, Column F (Disbursements for Official Business) some indirect reimbursements made to a credit card company totaling at least

\$7,539 for business expenses union personnel incurred. It appears the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Schedule 11, Column F (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Losses or Shortages

Item 13 (During the reporting period did the labor organization discover any loss or shortage of funds or other assets?) should have been answered, "Yes," because Local 1776 experienced a loss of assets on December 7, 2016 in the amount of \$702.00 for theft of AMC movie tickets. The loss was partially recovered through an insurance claim, less a \$500.00 deductible. The union must identify in the additional information section of the LM report the amount of the loss or shortage of funds or a description of the property that was lost, how it was lost, and to what extent, if any, there has been an agreement to make restitution or any recovery by means of repayment, fidelity bond, insurance, or other means.

3. Membership Status

Local 1776 did not report in Schedule 13 (Membership Status) and Item 20 (Number of Members) the categories of membership and number of members tracked by the reporting labor organization, as well as those members' voting eligibility.

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. Local 1776 amended its constitution and bylaws on January 1, 2017 but did not file a copy with its LM report for that year.

Local 1776 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1776 file an amended LM report for 2017 to correct the deficient items, but Local 1776 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation(s):

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 1776's officers and employees are currently bonded for \$80,000, but they must be bonded for at least \$89,569. Local 1776 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than April 10, 2018.

Other Issues

Account Signatories

The audit revealed that only one signatory is required on Local 1776's bank accounts. There are two signatories on the general checking account, savings account, service fee account and education fund, but President Rita Schwartz is the only signatory on the investment account. The audit also revealed the checks issued from the general checking account bore only one officer signature, as only one signature line was provided on the checks. While the Local 1776 Bylaws do not specify a required number of signatories, OLMS recommends that Local 1776 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to National Association of Catholic School Teachers Local 1776 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,

[Redacted Signature]

[Redacted Title]

Investigator

cc: Ms. Theresa Lazorko, Treasurer
Ms. Frances Verna, Certified Public Accountant