



July 23, 2018

Mr. Mark Doffing, President  
Communication Workers, AFL-CIO, Local 7270  
18556 Pilot Knob Road  
Suite 205  
Farmington, MN 55024

Case Number: 320-6012741 [REDACTED]  
LM Number: 041207

Dear Mr. Doffing:

This office has recently completed an audit of Communication Workers of America (CWA) Local 7270 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 Secretary-Treasurer Janelle Schadt on June 7, 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 7270's 2017 records revealed the following recordkeeping violations:

#### 1. Meal Expenses

Local 7270 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$66.47. For example, former President Karen Kiser purchased a

\$30.44 meal while attending the District 7 meeting in Boise, Idaho on April 11, 2017. In support of this expense, she only kept the credit card signature receipt, which is not sufficient. 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 7270 records of meal expenses did not always include the names and titles of the persons incurring the restaurant charges. For example, Ms. Schadt purchased a \$58.10 meal for the election committee on March 24, 2017. An itemized receipt was retained for this expense, but the receipt did not include the full names and titles of those present. 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.

## 2. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$300 during 2017. Mileage reimbursements were claimed on expense vouchers that normally identified the date of travel, number of miles driven, and rate of reimbursement; however, the expense vouchers were insufficient because they failed to identify the locations traveled to and from. The union 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. Disposition of Property

During the audit year, Local 7270 purchased eight watches for \$1,760 from Gerster's Jewelers to give away to retiring members; however, Local 7270 did not maintain adequate records identifying the recipients of the watches that were given away during 2017 nor did they maintain an inventory of the watches on-hand at the end of the fiscal year. In the case of watches or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 7270 in Statements A and B of the Labor Organization Annual Report (Form LM-3). The value of any watches or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets) of the LM-3. In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-3 report with the identity of the recipient(s) or donor of such property. In the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

## 4. Lack of Authorization for Cell Phone Reimbursement

Local 7270 did not maintain records to verify that the reimbursements to officers for cellular telephone expenses reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and, therefore, were correctly reported. During the audit, Ms. Schadt stated that she, former President Karen Kiser, and Vice President Carson Turnquist each receive an \$80 monthly reimbursement for cellular telephone service. At the opening interview, Ms. Schadt indicated that the union did not have a written authorization for the monthly cell phone reimbursement. The union must keep a record, such as meeting minutes, to show expenses, such as cell phone reimbursements, are authorized by the entity or individual in the union with the authority to establish expenses.

Based on your assurance that Local 7270 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 7270 for the fiscal year ended September 30, 2017, 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 watches totaling more than \$1,760 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local 7270 did not include some reimbursements to officers totaling at least \$4,496 in the amounts reported Item 24. For example, during the audit year, Ms. Kiser, Ms. Schadt, and Mr. Turnquist were each reimbursed \$80 per month for cell phone expenses, but these reimbursements were not reported in Item 24. As another example, Local 7270 made cash payments totaling \$650 to each of the chief stewards as gifts, but failed to report these payments in Item 24. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense) or Item 51 (Contributions, Gifts, and Grants).

The union must report most direct disbursements to Local 7270 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 for room rent only) 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. Reporting of Assets

The other asset figure reported in Item 30 (A) and (B) (Other Assets) do not include watches that were on hand at the beginning and end of the reporting period. The audit revealed that Local 7270 maintained an inventory of watches at the beginning and end of the reporting period; however, the other asset balances reported in Item 30 (A) and Item 30(B) were \$0. The instructions for Item 30 state that the union must report the total value as shown on your organization's books at the start and end of the reporting period of all assets which have not been reported in Items 25 through 29.

### 4. Reporting of Contributions, Gifts, and Grants

During the reporting period, Local 7270 disbursed \$3,085.77 for the purpose of memorial flowers, retirement lunches, and anniversary gifts; however, the union reported \$11,764 in Item 51. During the exit interview, Ms. Shadt indicated that the additional \$8,028.23 was reported in Item 51 because the union included disbursements made for the union picnic. The LM-3 instructions require that unions only report the total of all disbursements for contributions, gifts, and grants in Item 51.

I am not requiring that Local 7270 file an amended LM report for 2017 to correct the deficient items, but Local 7270 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issue

#### Meal Reimbursement Policy

As I discussed during the exit interview with you and Ms. Shadt, the audit revealed that Local 7270 does not have a written policy regarding the reimbursement of meal expenses incurred by union personnel. During the audit, Ms. Shadt stated that Local 7270's policy for the reimbursement of meal expenses to officers and employees while traveling is to pay the actual cost of the meals, and that she makes a judgement call as to whether a meal is too expensive or not. The audit found there is no written policy on the reimbursement of meal expenses, nor is there any written policy as to the total amount an officer or employee can be reimbursed for a single meal expense. To ensure proper internal financial controls over union disbursements,

OLMS recommends that each union: (1) adopt a clear policy on meal expenses and under what circumstances meal expenses may be claimed for reimbursement; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for the authorization and approval of meal expenses.

I want to extend my personal appreciation to CWA Local 7270 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: Mr. Janelle Schadt, Secretary-Treasurer