



July 28, 2019

Mr. Jesse Conwell, President  
Communications Workers, AFL-CIO  
Local 4070

Case Number: 320-6015364-  
LM Number: 065-261

MI 48045

Dear Mr. Conwell:

This office has recently completed an audit of Communications Workers (CWA), Local 4070 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, Secretary-Treasurer Charles Sayers, and Vice President Jason Ellenson on June 7, 2019, 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 4070's 2018 records revealed the following recordkeeping violations:

#### 1. Information not Recorded in Meeting Minutes

During the audit, you and Mr. Sayers advised OLMS that Local 4070's policy is that the executive board authorizes expenditures larger than \$500 by a vote during meetings, and any

expenditures under \$500 are authorized at your discretion. However, the audit revealed that the union's meeting minutes did not contain authorization or approval for disbursements greater than \$500 for travel, entertainment, gifts, and donations totaling at least \$10,000. For example, the local purchased tickets for Detroit Tiger games totaling \$3,000 in September and October 2017, and spent \$3,300 for "holiday cards" from Bethlehem Lutheran Church in November 2017. However, the executive board meeting minutes do not contain any references to the authorization or approval for the purchase of these tickets or holiday cards.

Since Local 4070's policy is to require expenditures larger than \$500 be authorized by the executive board, minutes of executive board meetings must report any disbursement authorizations made at those meetings.

## 2. Disposition of Property

The audit revealed that Local 4070 purchased Detroit Tiger tickets, Christmas party prizes, and custom calendars from the Myron Corporation totaling at least \$3,600 that it gave away at various events throughout 2017 and 2018. However, Local 4070 did not maintain adequate records that identified the recipients of the items given away. Records must be maintained which account for all union property. In the case of baseball tickets, holiday gifts, or other items given away to members, records must be maintained to clarify and support information required to be reported by Local 4070 in Statements A (Assets and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The value of any baseball tickets, holiday gifts, or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). 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 addition, 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.

## 3. Lack of Salary Authorization

Local 4070 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. During the opening interview, you and Mr. Sayers stated that when the current officers took office, the salary amounts paid to officers were already in place and you did not request any documentation to support the salary amounts. Mr. Sayers researched the union's records and found no additional documentation to verify that the current salary levels were properly authorized. 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.

#### 4. General Reimbursed and Credit Card Expenses

Local 4070 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by you, Mr. Sayers, and Vice President Jason Ellenson totaling at least \$5,400. For example, adequate supporting documentation was not retained for two credit card purchases at Oakridge Market and Meijer Grocery Stores for food and groceries in December 2017 totaling at least \$600. In support of the expenses, the local only retained the credit card statement with hand written notes of "Christmas Party," "Meeting," or "Meeting/Training," which is not sufficient. In another example, adequate supporting documentation was not retained for reimbursements made to you and Mr. Sayers for cash reimbursements by way of checks written to cash, totaling at least \$790. In support of the disbursements, the only records retained were the check stubs with business purposes of "union biz," "CASH Christmas Party Tip," and "Presidential Duties," which is not sufficient. You and Mr. Sayers explained during the exit interview that moving forward you will maintain adequate supporting documentation, such as itemized receipts or vouchers, for all purchases or disbursements made by Local 4070.

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.

#### 5. Lost Wages

Local 4070 did not retain adequate documentation for lost wage reimbursement payments to you and Mr. Sayers totaling at least \$5,100 during the audit year. 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 being conducted. The audit found that Local 4070 maintained check stubs in support of lost wage reimbursements, but the check stubs failed to identify the number of hours lost, the rate of pay, and did not adequately describe the union business that was conducted. For example, some of the check stubs included a union business purpose of "JCI meeting," "Neg 1.5 days," or "wages for training week." None of these descriptions sufficiently describes the union business being conducted that necessitated the lost wage payments.

Based on your assurance that Local 4070 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 4070 for the fiscal year ended September 30, 2018, 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 holiday gifts and Detroit Tigers tickets totaling at least \$3,200 during the audit year. The union must identify the type and value of any property received or given away in Item 56 (Additional Information) 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, and can describe the recipients by broad categories such as "members" or "new retirees," if appropriate. In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers and Employees

Local 4070 did not include any expense reimbursements to officers and employees totaling at least \$4,400 in the amounts reported Item 24 (All Officers and Disbursements to Officers) Column E (Allowances and Other Disbursements) and Item 46 (Disbursements to Employees) of the LM-3. It appears the union erroneously reported all expense disbursements (i.e. per diem, meals, gifts, cash, etc.) to officers and employees in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 4070 officers and some indirect disbursements made on behalf of its officers in Item 24. Most direct disbursements to Local 4070 employees and some indirect disbursements made on behalf of its employees must be reported in Item 46. A "direct disbursement" to an officer/employee is a payment made to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer/employee 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/employee. 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. 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 4070 amended its constitution and bylaws in 2018, but did not file a copy with its LM report for that year.

Local 4070 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 4070 file an amended LM report for 2018 to correct the deficient items, but Local 4070 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Signing Blank Checks

During the audit, you advised that at times you would sign blank checks due to frequent travel or varying work schedules of you and the secretary-treasurer. Your union's bylaws require that all checks be counter-signed by the union's president. 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 4070 review these procedures to improve internal control of union funds.

#### 2. Reimbursed Expenses and Credit Card Policies

As I discussed during the exit interview with you, Mr. Sayers, and Mr. Ellenson, the audit revealed that Local 4070 does not have clear policies regarding the payments officers receive when using the union's business credit card. For example, during the audit year, Local 4070 disbursed at least \$1,857 to you and Mr. Sayers for what appear to be grocery purchases from various vendors such as Meijer and CVS. CWA Local 4070's constitution and by-laws do not contain specific provisions regarding the authorization of such disbursements and the policies for these disbursements could not be identified in any other union records. During the exit interview, Mr. Sayers stated that purchases from grocery vendors are for the purposes of executive and membership meeting supplies (i.e. snacks, drinks, etc.), and not for personal use. However, no itemized receipts were retained for these purchases in the union record, and the union business purpose could not be verified. At the exit interview, you and Mr. Sayers advised that the local would consider updating its bylaws to include policies for both matters.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish a written policy that outlines the best practices for monitoring credit card use and administering payments within your union. OLMS recommends that unions (1) adopt clear policies and procedures for reimbursed expenses and credit card use, (2) maintain detailed documentation to support each reimbursed expense, credit card charge, and credit card payment, and (3) regularly monitor compliance with the established reimbursed expense and credit card policies and procedures.

I want to extend my personal appreciation to Communications Workers Local 4070 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,

A large black rectangular redaction box covering the signature of the investigator.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Charles Sayers, Secretary Treasurer  
Mr. Jason Ellenson, Vice President