U.S. Department of Labor

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Office of Labor-Management
Standards
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May 1, 2007

Mrs. Linda Guyer, President
Communications Workers AFL-CIO
Local 1701
36 Washington Ave, 2nd Floor
Endicott, NY 13760-5305

Re: Case No. [redacted]

Dear Mrs. Guyer:

This office has recently completed an audit of CWA Local 1701 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 Rick Roscoe and Mr. Lee Conrad on April 26, 2007, 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.

The CAP disclosed the following:

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

- Union officers and employees failed to maintain adequate documentation for reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses

and the locations (names of restaurants) where meal expenses were incurred must be recorded.

- Local 1701 failed to record some dues receipts and interest earned on checking and savings accounts. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.
- Local 1701 failed to record some disbursements for fees and ACH withdrawals from the checking account. Union disbursement records must include and adequate identification of each disbursement of money. The records should show the exact date the money was disbursed, the payee, and the amount disbursed.
- Local 1701 failed to maintain some statements received from Visions Federal Credit Union for the checking and savings accounts.
- Local 1701 receipts and disbursement journals contained mathematical errors.

As agreed, provided that Local 1701 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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 1701 for fiscal year ending September 30, 2006, was deficient in the following area:

- Local 1701 failed to complete Item 9.
- Local 1701 failed to report the amount paid to each employee for salaries, allowances, and disbursements for official business in Item 56 after answering "yes" to Item 17.
- Local 1701 failed to include the names of all officers in Item 24. The LMRDA defines an "officer" as "any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body."
- Local 1701 failed to include some reimbursements to officers and employees in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 48, Office and Administrative Expense.
    - All direct disbursements to Local 1701 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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).

- Item 25 (a) and (b), Start and End of Reporting Period Cash - Do not match reconciled union record totals. Item 25 (a) does not include the amount in the savings bank at the beginning of the year.
- Item 44, 45, 48, and 55 – OLMS totals based on union records do not match the reported amount.
- The CAP 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 constitution or bylaw changes are made. Local 1701 drafted its bylaws in 2002, but a copy was not filed with its LM report for that year.

A copy of Local 1701's constitution and bylaws has now been filed.

I am not requiring that Local 1701 file an amended LM report for 2006 to correct the deficient items, but as agreed, Local 1701 will properly report the deficient items on all future reports filed with this agency.

Other Recommendations

- During the audit, I advised you that there was no inventory of union assets. I recommend that you keep an inventory with a detailed description of union assets; especially those kept at an officer's private residence.
- During the audit, Rick Roscoe advised that Local 1701's checks only require one signature. Mr. Roscoe indicated that only he reviews the checks before they are issued. Local 1701's bylaws require that checks be signed by the president and treasurer. The second signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. I recommend that Local 1701 review these procedures to improve internal control of union funds.
- The audit revealed that Local 1701 does not have a consistent method of tracking membership to ensure that all members are current with their dues. Further, the local is paying per capita tax based on the number of names in the database rather than the number of current (paying) members. Local 1701 officers were reminded of their fiduciary responsibility to safeguard union funds, including accountability for the accuracy of disbursements.
- The audit revealed several bookkeeping errors. Mr. Roscoe was advised that a monthly reconciliation with bank statements will ensure more accurate union records.

I want to extend my personal appreciation to you, Treasurer Rick Roscoe, Mr. Rick White, and Mr. Lee Conrad 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]
Investigator

cc: Treasurer Rick Roscoe
(Same address)