U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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May 31, 2007

LM File Number 054-667
Case Number: [redacted]

Mr. Michael Oliver, President
Communication Workers Local 4671
108 W. Main Street
Sun Prairie, WI 53590-2958

Dear Mr. Oliver:

This office has recently completed an audit of Communication Workers Local 4671 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 Carey Adkins, and Recording Secretary Timothy Gile on May 30, 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.

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 4671's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

   Local 4671 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by officers and employees totaling at least $3,448.67. For example, you and three other delegates failed to retain hotel invoices for lodging and meal expenses for the Communication Workers of America International Convention, in Las Vegas, NV. In total, at least $2,373.92 of expenses related to the convention were charged to your union-issued credit card, but no supporting documentation was retained.

   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.

2. Meal Expenses

   Local 4671 did not require officers and employees to submit itemized receipts for meal expenses totaling at least $2,115.51. The union must maintain itemized receipts provided by restaurants to officers and employees. Furthermore, hotel invoices are inadequate as supporting documentation for meal expenses charged to the room. 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 4671 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, "meal" or "hospitality" is often cited as the purpose. Furthermore, insufficient descriptions, such as initials, are listed for the person incurring the expense. 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.

3. Lost Wages

Local 4671 did not retain adequate documentation for lost wage reimbursement payments to you and other officers and employees. 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 audit found that Local 4671 retained vouchers but not specifically describe the union business conducted. Explanations such as "local work" or "union business" are not sufficiently descriptive.

4. Failure to Record Receipts

Local 4671 did not record in its receipts records some employer dues checkoff checks and some checks received from banks for interest earned on the checking account totaling at least $304.84. 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.

5. Receipt Dates and Sources not Recorded

Entries in Local 4671's general ledger reflect monthly aggregated receipt totals and do not identify the date money was received, the sources, or the individual amounts. Union receipts records must show the date, amount, and source of all receipts. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts on the LM-3 for a different year than the year it actually received them.

Based on your assurance that Local 4671 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 4671's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the

U.S. Code, willful failure to maintain records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 4671 for fiscal year ending September 30, 2006 was deficient in the following areas:

1. Disbursements to Officers

   Local 4671 did not include some reimbursements for officers totaling at least $5,000 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). As an example, Local 4671 reported in Column E (Allowances & Other Disbursements) of Item 24 that you received $1,951.00 in reimbursed expenses. However, the audit revealed you also received indirect disbursements for cell phone services for at least $1,200. It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense) and/or Item 54 (Other Disbursements).

   Local 4671 must report most direct disbursements to 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. 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 Local 4671 gave away calendars totaling more than $1,414.97 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. Every recipient of such giveaways need not be identified by name. Recipients can be identified by broad categories, if appropriate, such as "members" or "new retirees." In addition, the Local 4671 must report the cost, book value, and trade-in allowance for assets that it traded in.

3. Statement B (Receipts & Disbursements)

Local 4671 misreported both receipts and disbursements by at least $4,661.61. Local 4671's receipts and disbursements journals show that it received at least $4,666.61 in "reimbursements." You and Ms. Adkins advised that these reimbursements were payments from the Local's employer to defray some of the costs to send you to training functions.

The purpose of Statement B (Receipts & Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. "Netting" is offsetting of receipts against disbursements and reporting on the balance (net) as either a receipt or disbursement. The amount received from Verizon, Inc. for "reimbursements" should have been reported in Item 43 (Other Receipts). The $4,661.61 disbursed for either the officer or the credit card company should have been included in the amounts reported in Item 45 (To Officers), Item 48 (Office & Administrative Expenses), and/or Item 54 (Other Disbursements) depending on the type of expenses.

4. Merger of Locals and Other Receipts

Local 4671 failed to report receipts from a merger in Item 43 (Other Receipts). During April 2006, Communication Workers Locals 4672, 4674, and 4675 merged into Local 4671. Local 4671 received at least $20,427.58 from the three locals, but no funds are reported in Item 43. It appears the union erroneously reported these receipts in Item 38 (Dues).

Local 4671 must file an amended Form LM-3 for fiscal year ending September 30, 2006, to correct the deficient items discussed above. .I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than June 27, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Communication Workers Local 4671 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: Ms. Carey Adkins, Treasurer
Mr. Timothy Gile, Recording Secretary
330-08010(05)