

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigative Office
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February 6, 2007

Mr. David Wahl, President
Communications Workers AFL-CIO Local 7304
3152 Bedow Road
Fort Ripley, MN 56449

Re: Case Number [REDACTED]

Dear Mr. Wahl:

This office has recently completed an audit of CWA Local 7304 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 Treasurer Kathy Moen, Executive Board Member Loren Moe, Vice-President David Rock, Executive Board Member Allen Albrecht, and Executive Board Member Howard Asman on December 6, 2006, 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 adequate records be maintained 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, 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 recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 7304's 2005 records revealed the following recordkeeping violations:

1. Receipts

Local 7304 failed to record some interest earned on certificates of deposit (CDs) and other accounts. For example, Local 7304 failed to record \$398.90 in interest earned on one CD, \$461.04 in interest earned on another CD, and \$70.35 in interest receipts earned on a third CD.

Local 7304 also recorded the incorrect date for some of its receipts in its general ledger. For example, Treasurer Moen advised me that she receives dues checks from one of Local 7304's employers, the Grand Forks Herald, at the beginning of each month and deposits those checks into the union's bank account at the end of each month. Dues checks received from the Grand Forks Herald were consistently recorded as received in Local 7304's general ledger at the end of each month, around the date of deposit, instead of the date that the money was actually received.

Union receipts records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source. Failure to record the exact date that money was received could result in some receipts being reported in a different year than they were actually received. Local 7304 should take steps to ensure that all transactions are recorded in a timely manner.

2. Lost Wages

Some expense vouchers submitted by union personnel for reimbursement of wages lost while conducting union business show incorrect dates or do not identify the dates that lost wages were incurred. In addition, some of the vouchers submitted for such expenses identify incorrect wage rates or do not identify the wage rates used to calculate the amount of the claim. For example, several vouchers submitted by Executive Vice-President Loren Moe have no wage amounts recorded, but only a total amount reimbursed. One voucher submitted by [REDACTED] dated December 7, 2004, does not identify the dates on which lost time was incurred. Several vouchers submitted by former President [REDACTED] combined the hours worked for

the union to create his lost time totals without identifying the dates and specific number of hours of lost time incurred. One voucher, submitted by ██████████ for time lost on December 7 and 8, 2004, identifies ██████████ hourly wage as \$14.68. However, employer records show ██████████ earned \$13.93 per hour. It appears that in this example, the overstatement of the hourly wage rate resulted in ██████████ receiving an overpayment of \$12. Finally, the vouchers of many officers identify incorrect dates on which lost time was incurred.

The lost wage claims must 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.

3. Officer and Employee Salaries

Expense vouchers consistently lacked clarity concerning which month's salary is being paid to officers. Many officers submitted vouchers for salary or expenses that identify the purpose of the vouchers as claims for "monthly salary" or "monthly R.E." without specifying which month's salary was being claimed. Also, some officers claimed one month's salary more than once, without claiming other months' salaries. The audit revealed all officers appear to have received the correct number of salary payments during 2005. However, adequate care should be taken to ensure that vouchers are accurately completed.

4. Officer and Employee Expenses

The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for the proper maintenance of union records. In the case of Local 7304, the audit revealed adequate documentation was not retained for some reimbursed meal expenses incurred by former President ██████████. As an example, ██████████ received check ██████████ in January 2005 which included reimbursement to him for a meal expense. ██████████ retained a receipt for the meal expense but failed to record the names of those present for the meal. As another example, ██████████ received check ██████████ which also included reimbursement to him for several meal expenses. ██████████ attached numerous receipts to the voucher he submitted for the check as proof of the expenses incurred, but failed to identify the names of those present for the meal 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.

As agreed, provided that Local 7304 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP disclosed violations 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 7304 for fiscal year ending September 30, 2005, was deficient in the following areas:

1. Item 24 (All Officers and Disbursements to Officers)

Local 7304 failed to include some reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 48 (Office and Administrative Expense). For example, \$215 in expense reimbursements to Treasurer Kathy Moen, \$238 in expense reimbursements to Secretary Sharon Pueringer, and \$1,267 in expense reimbursements to former President [REDACTED] all appear to have been erroneously included in the amount reported in Item 48.

All direct disbursements to Local 7304 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 union check issued to 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. Item 29 (Fixed Assets)

Local 7304 reported in Item 29 that it had fixed assets totaling \$1,000 at the beginning and end of the fiscal year ending September 30, 2005. The audit revealed that Local 7304 purchased a laptop computer valued at \$1,479 during the year. The LM-3 instructions require that the book value at the start and end of the reporting period of all fixed assets owned by the labor organization be reported in Item 29. The value of the computer should have been included in the calculation of the fixed assets reported in Item 29.

3. Item 47 (Per Capita Tax)

The audit revealed that during fiscal year 2005, Local 7304 issued per capita tax payments to the CWA National Union totaling \$28,755. However, Local 7304 reported in Item 47 that it issued per capita tax payments totaling only \$14,160. It appears that a delinquent per capita tax payment totaling \$14,595.39 that was paid on December 7, 2004 was not included in the total amount of disbursements for per capita taxes reported in Item 47. The \$14,595 payment to the CWA National Union for delinquent per capita tax appears to have been erroneously reported in Item 48 (Office and Administrative Expense). This payment should be included in Item 47.

4. Item 54 (Other Disbursements)

Local 7304 failed to include income tax remittances on behalf of officers in Item 54 (Other Disbursements). \$10,354 in income tax remittances on behalf of officers appear to have been erroneously reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 7304 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 7304 will properly report the deficient items on all future reports filed with this agency.

Other Issues

The audit disclosed that Local 7304 does not withhold state income tax from checks paid to its officers and employees. It is our agency's understanding that state income tax must be withheld from officers' and employees' paychecks for remittance to the Minnesota and North Dakota Departments of Revenue. We recommend that you contact the Minnesota Department of Revenue Income Tax Withholding Division at

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(651) 282-9999 and the North Dakota Income Tax Withholding Division at (701) 328-3125 to clarify Local 7304's responsibilities concerning state income tax withholding.

I want to extend my personal appreciation to CWA Local 7304 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: Kathy Moen, Treasurer
LM: 036-095