



Sent by email to: [REDACTED]

August 24, 2020

Mr. Troy Scott, President
Michigan Executive Directors Association
17500 W. 11 Mile
Southfield, MI 48076

Case Number: 320-6017743 [REDACTED]
LM Number: 516400

Dear Mr. Scott:

This office has recently completed an audit of Michigan Executive Directors Association (MEDA) 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, Vice President Tonya Karpinski, and the MEDA's accountant, [REDACTED], on August 12, 2020, 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 MEDA's 2019 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

MEDA did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$2,060. For example, itemized receipts were not retained for three reimbursements totaling \$328.95 paid to you for expenses you incurred while traveling for union business. In support of these expenses, MEDA only retained expense vouchers and credit card signature receipts, which are not sufficient. As another example, adequate supporting documentation was not retained for at least 18 credit card charges totaling \$1,689 MEDA made for meal expenses during the audit year. While MEDA retained vouchers for all of these meal charges, it did not retain receipts for 3 of the charges, and MEDA's records for the remaining 15 charges did not always include itemized receipts, written explanations of union business conducted, or the names and titles of the persons incurring or receiving the benefit of the restaurant charges.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. 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. Failure to Record Receipt

MEDA did not record in its receipts records a \$1,394.65 reimbursement it received from you during the audit year. At the opening interview, you indicated that you made a deposit of \$1,394.65 into the union's checking account on August 22, 2019 to reimburse the union for an erroneous payment you made to your personal credit card account from MEDA's general fund checking account on August 13, 2019. That audit revealed that because the union believed that the disbursement and subsequent deposit would "net" to \$0, it did not record the \$1,394.65 deposit in its QuickBooks general ledger. 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.

3. Lack of Salary Authorization

MEDA 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. The MEDA by-laws in effect during the audit period are silent regarding officer salaries. During the opening interview, you advised that disbursements are typically authorized through annual budgets presented at membership meetings; while the union's budget for the audit year included officer salaries, there was no record of the budget being

presented to or approved by MEDA's membership. During the audit, you indicated that while you were not aware of any union documents authorizing the disbursement of officer salaries, you were in the process of formalizing an authorization of officer salaries. 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. Salary Disbursement to Former President Kim Edwards

MEDA did not properly record in its disbursements records \$2,000 that it paid Ms. Edwards during the audit year. The audit revealed that Ms. Edwards received a \$4,700 check for salary in November 2018. However, MEDA only recorded a \$2,700 payment to Ms. Edwards in its QuickBooks (QB) general ledger; the remaining \$2,000 was recorded in the ledger as a "journal entry" dated December 11, 2017. During the audit, Treasurer Nancy Rutkowski stated that Ms. Edwards' salary payment was recorded this way because it included \$2,000 withheld from Ms. Edwards' salary from the previous year for "tax purposes."

Union disbursement records must include an adequate identification of all money the union disburses. The records should show the date and amount disbursed, the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient of the money.

Based on your assurance that MEDA 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 MEDA for the fiscal year ended August 31, 2019, 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 tee-shirts totaling at least \$926 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

The audit revealed that MEDA did not include disbursements to Ms. Edwards totaling at least \$2,000 in the amounts reported in Item 24, Column D (Gross Salary). MEDA's disbursements records indicate that Ms. Edwards received gross salary of \$8,700; however, the total amount reported in Column D of Item 24 for Ms. Edwards was \$6,700. As previously noted above, \$2,000 that was paid to Ms. Edwards in November 2018 was recorded in MEDA's QuickBooks general ledger as a "journal entry" dated December 11, 2017. This entry appears to have caused this reporting error and a corresponding reporting error on MEDA's LM-3 for the previous year.

The union must report most direct disbursements to MEDA 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).

3. Reimbursement Receipt

The audit revealed that MEDA failed to report the \$1,394.65 reimbursement that it received from you on August 22, 2019. MEDA is required to report all officer repayments and/or refunds that it receives in Item 43 (Other Receipts).

I am not requiring that MEDA file an amended LM report for 2019 to correct the deficient items, but MEDA has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to MEDA 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. Tonya Karpinski, Vice President

[REDACTED]