



September 30, 2020

Mr. Michael Collins, President
Communications Workers Local 84963
3526 New Haven Ave.
Fort Wayne, IN 46803-2872

Case Number: 310-6013112
LM Number: 021106

Dear Mr. Collins:

This office has recently completed an audit of Communications Workers Local 84963 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 on September 29, 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 Local 84963's records for fiscal year ended September 30, 2017, revealed the following recordkeeping violations:

1. General Union Expenses

Local 84963 did not retain any supporting documentation for general union expenses incurred by the union totaling at least \$3,846.00. For example, four checks totaling approximately \$1,700.00 were payable to cash. Although the audit revealed that the union wrote checks payable to cash in order to purchase gift cards for retiring members, the union did not always maintain a record of the recipients of the gift cards.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In the case of gift cards given away to members, the union must maintain records that identify the date the gift cards were given away and the names of the recipients. 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. Lost Wages

Local 84963 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$8,101.23. 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 OLMS audit found that Local 84963 failed to maintain any of the required information regarding lost time claims since the only records maintained were payroll records that indicated the gross and net amount of lost time payments to union officers.

After the exit interview, I sent you by email a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 84963 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Lack of Stipend Authorization

Local 84963 did not maintain records to verify that the \$100.00 monthly stipends paid to union officers, including the president, financial secretary-treasurer, recording secretary, and chief steward, were the authorized amounts. The union must keep a record, such as meeting minutes, to show the current stipend authorized by the entity or individual in the union with the authority to establish monthly stipends.

Based on your assurance that Local 84963 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 84963 for the fiscal year ended September 30, 2017, was deficient in the following areas:

1. Cash Reconciliation

It appears that the cash figure reported in Item 25(B) (Cash - End of Reporting Period) is not the figure according to Local 84963's books after reconciliation to the bank statements. The union reported \$2,470 in Item 25(B), but an OLMS calculation (based on the union's book balances as reconciled to bank statements) indicated \$570 was the correct amount. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

2. Disbursements to Officers

Local 84963 did not properly report lost time and stipends to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Lost time disbursements to President William Johnson and Financial Secretary-Treasurer Roger Jones were underreported in Item 24(D) (Gross Salary) by \$771 and \$338, respectively. In addition, \$1,200 in stipends paid to both officers were mistakenly reported in Item 24(D) but should have been reported in Item 24(E) (Allowances and Other Disbursements).

The union must report most direct disbursements to Local 84963 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).

I am not requiring that Local 84963 file an amended LM report for fiscal year ended September 30, 2017, to correct the deficient items, but Local 84963 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Lost Time Policy

As I discussed during the exit interview, the audit revealed that Local 84963 does not have a clear policy regarding the circumstances during which union officers can receive lost time compensation and the approved lost time pay rates. OLMS recommends that unions adopt written guidelines concerning such matters. The following questions should be considered when developing your policy. Must wages be lost in order for an officer (or employee) to be paid lost time? Can lost wages be claimed for union business conducted when the officer/employee would have been working overtime, was on employer-paid leave (sick, vacation, holiday), or would not have been paid by their employer (evenings/weekends)? What are the approved lost time pay rates?

2. Signing Blank Checks

During the audit opening interview, former Financial Secretary-Treasurer Roger Jones advised that he signed three blank checks during his term in office for the purchase of gift cards for retiring members. Article 5 of your union's bylaws require that all checks be signed by the president and treasurer. 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 84963 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Communications Workers Local 84963 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: Mr. Henry McDowell, Financial Secretary-Treasurer