

U.S. Department of Labor

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October 9, 2007

Mr. Scott Hines, President
Communications Workers Local 4641
N4769 County Road C
Ellsworth, WI 54011-5024

LM File Number 046-771
Case Number:

Dear Mr. Hines:

This office has recently completed an audit of Communications Workers Local 4641 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 and Treasurer Jeff Crook on September 11, 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. Local 4641 must also retain bank records for all accounts.

The audit of Local 4641's 2006 records revealed the following recordkeeping violations:

1. General Expenses

Local 4641 did not retain adequate documentation for reimbursed and general union expenses incurred by Treasurer Crook totaling at least \$3,900. For example, the ledger entry for check [REDACTED] written to Shopko for \$168.41 notes the disbursement was for Christmas party prizes. No receipt was found during the audit. However, during the audit Mr. Crook advised that Local 4641 purchased gift certificates to be given away at the Christmas party. Meeting minutes revealed a Christmas party was held, but minutes did not indicate what prizes were given away or who received them.

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. Receipts

Local 4641 failed to record in the ledger some interest earned on certificates of deposit. 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.

3. Receipt Dates not Recorded

Entries in Local 4641's ledger reflect the date money was deposited, but not the date money was received. Receipts records must show the date of receipt. 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 reporting some receipts for a different year than when it actually received them.

4. Lack of Salary Authorization

Local 4641 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. You and Mr. Crook advised during the opening interview that monthly pay was "inherited" and decided on at a prior membership meeting a few years ago. Local 4641 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

5. Disposition of Property

Local 4641 gave away approximately \$1,000 worth of gift cards and cash at the Local 4641 Christmas party but did not maintain records that identified the recipients of those gift cards and cash prizes.

While it is not necessary to itemize every recipient of a prize on the LM report, a record must be maintained that verifies the identity and number of the recipients of the gift cards and cash prizes.

Based on your assurance that Local 4641 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 (LM-3) filed by Local 145 for fiscal year ending September 30, 2006, was deficient in the following areas:

1. Disbursements to Officers

Local 4641 did not include some salary payments and reimbursements to officers totaling at least \$2,600 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears these payments were erroneously reported in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements). It seems salaries were "netted" (offsetting of receipts against disbursements and

recording only the balance (net) as either a receipt or disbursement) and Local 4641 failed to report deductions for withheld taxes in Line 10 of Item 24.

Local 4641 must report all 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. 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. Bonding

Local 4641 erroneously reported in Item 20 (Maximum Amount Recoverable under the Labor Organization's Fidelity Bond) that its officers and employees are bonded for \$50,000. The audit revealed that Local 4641's officers and employees are only bonded for \$10,000.

As agreed, Local 4641 will properly calculate and report the maximum amount recoverable under the surety bond and report that amount in Item 20 of future LM-3 reports filed with OLMS.

3. Item 15 - Disposition of Assets

Item 15 (Disposition of Assets) should have been answered, "Yes," because Local 4641 gave away items totaling at least \$1,000 in cash and gift cards at the Christmas party. The type and value of any property received or given away must be reported 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 itemized by name. Recipients can be described by broad categories if appropriate such as "members" or "new retirees." In addition, the cost, book value, and trade-in allowance for assets that it traded in must be reported.

4. Assets and Liabilities

Item 25 (Cash) was incorrect because only the checking account balance was reported and not the savings account balance. The instructions for Item 25 require the reporting of all your organization's cash, including savings accounts and any certificates of deposit. In addition, it appears that the cash figures reported are not the cash figures according to Local 4641's books after reconciliation to the bank statements. The instructions for Item 25 state that the checking account balances reported should be obtained from your organization's books as reconciled with the balances shown on bank statements. Local 4641 financial records showed a balance that was not reconciled with the bank statements.

5. Dues

Local 4641 incorrectly reported dues receipts of \$18,636 in Item 38 (Dues) when actual dues receipts for the fiscal year were at least \$20,000.

6. Interest

Local 4641 failed to report all interest earned on the savings account and certificates of deposit. All interest and dividends received from savings accounts and bonds must be reported in Item 42.

7. Per Capita Tax

Local 4641 reported \$0 in Item 47 - Per Capita Tax. The audit revealed the local paid at least \$2,000 in per capita tax.

8. Professional Fees

Local 4641 failed to report over \$350 in payments to Dopkins Accounting Services in Item 49 (Professional Fees). It appears these payments were erroneously reported in Item 48 (Office and Administrative) or Item 54 (Other Disbursements).

All disbursements for "outside" legal and other professional services (auditing, bookkeeping, arbitration, etc.) must be reported in Item 49.

9. Travel Advance

During the exit interview, I advised you and Treasurer Crook that the audit revealed Check [REDACTED] issued to Local 4641 by the CWA National Union was recorded in the ledger and deposited for \$625.23, when the amount of the check was actually \$1,125.23. The deposit slip shows that \$500 cash back was received at the time of the deposit. Mr. Crook advised that the \$500 was a travel advance for a trip to the CWA State Meeting in Brookfield, WI. The travel advance was never used because the officers decided to return early and Mr. Crook mistakenly forgot to pay the travel advance back to the local. I advised you that the \$500 would need to be paid back to the local as soon as possible. OLMS received a fax from the Westconsin Credit Union on September 12, 2007 showing the \$500 deposit.

As noted in section page six of the LM-3 instructions, advances are considered loans and must be reported in Item 26 (Loans Receivable) and Item 53 (Loans Made) if the amount of the advance is not fully repaid or fully accounted for by vouchers or paid receipts within 30 days after the completion or cancellation of the travel.

Furthermore, "netting" of a receipt or disbursement is not permitted.

During the exit interview, I advised you that Local 4641 must file an amended Form LM-3 for fiscal year ending September 30, 2006 to correct the deficient items discussed above. On October 9, 2007, OLMS received an amended report for the 2006 fiscal year.

Other Issue

During the audit, Mr. Crook advised that he is the only officer who signs Local 4641's checks. Article VI, Section 3 of the Local's bylaws requires 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 4641 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Communications Workers Local 4641 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials

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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: Jeff Crook, Treasurer
Ben Gaus, Accountant