

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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August 15, 2008

Ms. Sharon Bruce, Treasurer
Teachers Local 1475
2550 N. Hollywood Way, Ste. 400
Burbank, CA 91505-5008

LM File Number: 516-709
Case Number: [REDACTED]

Dear Ms. Bruce:

This office has recently completed an audit of Teachers Local 1475 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, President Arleen Rivera, and Organizer Miguel Arredondo on August 8, 2008, 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.

The audit disclosed recordkeeping and reporting violations.

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 1475's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1475 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by President Arleen Rivera totaling at least \$1,500. For example, credit card purchase receipts were not maintained for most purchases and some credit card statements were not maintained.

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 1475 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$250. The union must maintain itemized receipts provided by restaurants to officers and employees. 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 1475 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. 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. Failure to Record Receipts

Local 1475 did not record in its receipts records some employer dues checkoff checks and some checks received from banks for interest earned on certificates of deposit totaling at least \$1,275. For example, one bank deposit was not recorded in the union's accounting program, although it was deposited into the union's checking account. 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1475'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 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 1475 for fiscal year ending September 30, 2007, was deficient in the following areas:

1. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. 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. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution and bylaws. Local 1475 amended its

constitution and bylaws in 1994, but did not file a copy with its LM report for that year.

Local 1475 has now filed a copy of its constitution and bylaws.

Local 1475 must file an amended Form LM-3 for fiscal year ending September 30, 2007, 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 September 15, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

Use of Signature Stamp

During the audit, President Rivera advised that it is Local 1475's practice for Miguel Arrendondo and Sharon Flanagan to sign all union checks and to stamp the signature of President Rivera on union checks. President Rivera indicated that no one but Arredondo reviews the checks before they are issued. Past practice of Local 1475's officers requires that 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 complete document already signed. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1475 review these procedures to improve internal controls of union funds.

I want to extend my personal appreciation to Teachers Local 1475 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,

Alan Weiss
District Director

cc: Ms. Arleen Rivera, President
Mr. Miguel Arredondo, Organizer/Office Manager