

U.S. Department of Labor

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March 17, 2008

Ms. Coralie Giles, Treasurer
Maine State Nurses Association Unit 1
160 Capitol Street
Suite 1
Augusta, ME 04330

LM File Number: 529-430
Case Number: ██████████

Dear Ms. Giles:

This office has recently completed an audit of MSNA Unit 1 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 Office Manager ██████████ on January 16, 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 violations, reporting violations, other violations, and other issues.

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 Unit 1's 2006 records revealed the following recordkeeping violations:

1. Meal Expenses

Unit 1 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$153.04. 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.

Unit 1 records of meal expenses did not have any 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.

2. Failure to Record Disbursements

Unit 1 did not record in its disbursement records five transactions totaling \$409.38. According to Article 4, Section 1B4c of the local's bylaws, the Unit 1 Treasurer is responsible for "keep(ing) an itemized account of all receipts and disbursement items." Unit 1 did not record four disbursements to Staples totaling \$272.75 and one disbursement to Snowman Printing Press totaling \$136.63.

3. Information not Recorded in Meeting Minutes

Article 4, Section 1B4b requires that union bills only be paid once they have been approved by the majority of the officers. However, the minutes of the meeting do not contain any reference to those issues. Information lacking from the local's minutes included authorization for office supplies totaling \$5,964.38. Also, the minutes did not include the stated amount (\$50,000) of investment funds to be

purchased by the local during the audit period. In addition, the minutes did not authorize reimbursements to officers and members of the union for attendance to conferences, meetings, arbitration sessions and other expenses totaling at least \$14,497.14. Finally, the minutes did not include the authorization of an advanced salary payment of \$2,000 to President Judy Brown. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

4. Lack of Salary Authorization

Unit 1 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. 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.

5. Retention of Voided Checks

As I discussed during the exit interview with Unit 1, the audit revealed that Local Unit 1 does not maintained voided checks. OLMS requires that the union maintain all voided checks.

Based on your assurance that Unit 1 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 Unit 1 for fiscal year ending August 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

Unit 1 included all reimbursements to positions which are not considered officers totaling at least \$8,105 in the amounts reported Item 24 (All Officers and Disbursements to Officers). These reimbursements, including all payments to union stewards for conference attendance and other reimbursements, should have

been reported in Item 54 (Other Disbursements) and Item 48 (Office and Administrative Expenses).

In addition, Unit 1 did not include all reimbursements to officers required to be reported in Item 24, totaling at least \$1,358. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Unit 1 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).

2. Purchase of Fixed Asset

Unit 1 did not correctly report a purchase of a fixed asset (a new union printer) totaling \$200.00. It appears the union erroneously reported these payments in Item 48, Office and Administrative Expenses. All fixed assets purchased for Unit 1 must be reported in Item 52, Purchase of Investments and Fixed Assets.

3. Contributions, Gifts and Grants

Unit 1 did not correctly report contributions, gifts and grants for shipping costs of items to Hurricane Katrina victims totaling \$511.00. It appears the union erroneously reported these payments in Item 48, Office and Administrative Expenses. All contributions, gifts and grants for Unit 1 must be reported in Item 51, Contributions, Gifts and Grants.

4. Failure to Report Receipts and Disbursements.

It appears that the local failed to include \$900 in receipts and disbursements during the fiscal year ending August 31, 2006. The \$900 in receipts and

disbursements included mistaken deposits to the union's account by an officer. All mistakenly deposited funds were returned to the officer in the exact amount of the deposit. All receipts and disbursements must be reported for the fiscal year.

5. 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 or bylaws. Unit 1 did not have a copy of its bylaws on file with OLMS.

As agreed, Unit 1 will not be required file a copy of its current constitution and bylaws with OLMS due to the local's termination as a result of a merge with another union.

6. Failure to File Termination Report

The audit disclosed a violation of LMRDA Section 201(b), which requires that a union file certain financial reports with OLMS. Unit 1 did not file a termination report with OLMS, despite merging with the California State Nurses Association on July 26, 2007. Unit 1 must properly transfer or liquidate all remaining local funds and file a termination report with OLMS.

I am not requiring that Unit 1 file an amended LM report for 2006 to correct the deficient items. However, a termination report is required by Unit 1 when all assets are disposed of or by the end of the local's next fiscal year.

Other Violations

The audit disclosed the following other violation(s):

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Unit 1's officers and employees bond contained a deductible of \$2,000. Section 502 of the LMRDA requires that locals obtain bonding coverage that does not have a deductible payment. Unit 1 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than February 22, 2008.

Other Issues

I want to extend my personal appreciation to MSNA Unit 1 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,

Mark Letizi
District Director

cc: Judy Brown, President MSNA Unit 1

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