



May 22, 2013

Ms. Donna Walsh  
Seafarers AFL-CIO  
Local 1  
11040 Downey Ave  
Downey, CA 90241

Case Number: 520-13423 [REDACTED]  
LM Number: 540-055

Dear Ms. Walsh:

This office has recently completed an audit of Seafarers AFL-CIO LU 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 Investigator Phoenix [REDACTED] discussed during the exit interview with you and Vice President Thomas Walsh on April 15, 2013, the following problem was disclosed during the CAP. The matter listed below is 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 1's 2012 records revealed the following recordkeeping violations:

1. General Reimbursed Credit Card Expenses

Local 1 did not retain adequate documentation for credit card expenditures incurred by you, Vice President Thomas Walsh, and Secretary Treasurer Nicole Walsh totaling in excess of \$15,644.07. Such expenditures included airfare tickets, car rentals, hotel lodging, and various miscellaneous items purchased with the local's credit card which lacked supporting documentation detailing the purpose of the expenditures and the nature of the union business to which they pertained. A prime example involves the American Express credit card charges incurred during your trip to the 2012 SIUNA convention. The charges included two first class United Airlines tickets at \$2,231.60 for you and your daughter [REDACTED] and a rental car charge of \$823.91. You confirmed that your daughter, who is not an officer or member of the local, accompanied you on the trip due to your medical condition.

As 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. As agreed, the local will maintain adequate supporting documents for future credit card expense and President Walsh will reimburse the local \$2,231.60 no later than April 31, 2013 for [REDACTED] unapproved airfare ticket.

2. Information not Recorded in Meeting Minutes

During the audit, President Donna Walsh advised OLMS that the local's financial matters are authorized by the Executive Board at its quarterly meetings. Article VII, Section 3 of the Constitution, states that, "[t]he Secretary-Treasurer shall keep an accurate record of all membership meetings and meetings of the Executive Board." However, Local 1 has failed to maintain meeting minutes for the Executive Board, as well as the membership, to document the business and expenditures of the local. Minutes of all membership or executive board meetings must be maintained and report any significant financial transactions required to be authorized at those meetings.

3. Lack of Salary Authorization

Local 1 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore correctly reported. Local 1 must document the authorized salary amounts in its bylaws or record them in meeting minutes or some other internal document to reflect the current salary authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1'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.

### **Other Issues**

1. Expense Policy

As discussed during the exit interview with you and Vice President Thomas Walsh, the audit revealed that Local 1 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Personal use of Credit Cards

The audit revealed that Local 1 permits officers and employees to use union credit cards to pay for personal expenses. Although on most occasions officers and employees promptly repaid Local 1 for the personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

I want to extend my personal appreciation to Seafarers AFL-CIO Local 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,

Beverly Perkins  
District Director

cc: Mr. Thomas Walsh, Vice President