



August 15, 2017

Stephanie Johnson, President
Teachers, Local 5051
43 Converse Place
New London, CT 06320

Case Number: 110-6010314-
LM Number: 512272

Dear Ms. Johnson:

This office has recently completed an audit of Teachers, Local 5051 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 Cathy VanVerdeghem on August 14, 2017, 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 5051's 2016 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 5051 did not maintain itemized receipts for all meal expenses totaling at least \$1,352. 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 5051 records of meal expenses did not always include the names and titles of the persons incurring the restaurant charges. For example, on May 18, 2016, there was a charge of \$115.61 at the Recovery Room in New London, CT, the only receipt maintained is the credit card slip with no itemized receipt; additionally, the note on the credit card receipt states that the meeting was a "Yale Coalition Meeting 5/18/16 LPN/Tech union only; RN's bought dinner the week before." This does not meet the requirement that there be a list of names and titles of all local officers in attendance. 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 Receipts

Local 5051 did not record in its receipts records two receipts from American Federation of Teachers and some deposits received from banks for interest earned on its savings account totaling at least \$200. For example, in August 2016, Local 5051 received a deposit from AFT, but did not record the funds in the general ledger. 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.

3. Receipt Dates not Recorded

Entries in Local 5051's general ledger reflect the date the union deposited money, but not the date money was received. Union 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 the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 5051 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 5051 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Disbursements to Officers

Local 5051 did not properly report the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). Salary payments to Johnson were over reported by \$1,685 in Item 24.

The union must report most direct disbursements to Local 5051 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. 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. Local 5051 amended its constitution and bylaws in 2016, but did not file a copy with its LM report for that year.

Local 5051 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 5051 file an amended LM report for 2016 to correct the deficient items, but Local 5051 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you and Treasurer Cathy VanVerdeghem, the audit revealed that Local 5051 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. However, Article V, Sections 3 and 4 of the local's bylaws require the executive board to approve and adjust the budget for the fiscal year. During the audit, Ms. VanVerdeghem advised that the executive board did not adopt a budget for the 2016 fiscal year. OLMS recommends that unions adhere to their written guidelines concerning such matters and follow their bylaws and procedures for financial authorization.

2. Dual Signatures on Checks

The audit disclosed that some checks were only signed by one officer. Article IV of Local 5051's bylaws 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 completed document already signed. However, failure to have a second signature does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 5051 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Teachers, Local 5051 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: Cathy VanVerdeghem, Treasurer