



February 9, 2017

Mr. David Larson, President
Christian Labor Association Local 78

Case Number: 320-6009020 [REDACTED]
LM Number: 046749

Dear Mr. Larson:

This office has recently completed an audit of Christian Labor Association Local 78 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 Secretary [REDACTED] on February 9, 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 78's 2015 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 78 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. During 2015, Local 78 officers received a \$100 stipend for

attending local union meetings, and a \$175 stipend for attending the union's annual meeting. A review of the executive board meeting minutes found authorization for the stipends for the annual meeting; however, Local 78 failed to maintain any records that authorize officers to receive \$100 stipends for attending local union meetings. During the exit interview, you stated that the \$100 stipends were approved several years ago at a membership meeting and were likely documented in the minutes from that meeting. 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.

2. Meal Expenses

Local 78 did not require National Vice President Joni Tulenchik to submit itemized receipts for meal expenses that were purchased with the union's debit card totaling at least \$1,339.20. For example, Ms. Tulenchik purchased a meal at Key's Café and Bakery in the amount of \$48.30 on August 12, 2015 with a union purpose of "Meeting w/ Park Ave." The union maintained in its records a debit card charge slip; however, no itemized receipt was maintained. 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.

On at least 19 occasions, Local 78 records of meal expenses did not include the names and titles of the persons incurring the restaurant charges. For example, Ms. Tulenchik purchased a \$74.10 meal at Applebee's on December 8, 2015 using the Local 78 debit card. The union documented a purpose of "Local 78 debit-office meeting with advisors;" however, the union failed to record the names and titles of those present for the meal. 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. Reimbursed Auto Expenses

Union officers who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$758.71 during 2015. Mileage reimbursements were claimed on expense vouchers that normally identified the dates of travel and the number of miles driven; however, the expense vouchers were not sufficient because in many instances they failed to identify the union business purpose and the locations traveled to and from. For example, Board Member Kevin Love received a mileage reimbursement on December 10, 2015 in the amount of \$140.01. The voucher retained for this mileage expense identified the date of travel and the total number of miles driven; however, the expense voucher was not sufficient because it failed to identify the union business purpose and the locations traveled to and from. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business

purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

Based on your assurance that Local 78 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 78 for the fiscal year ended December 31, 2015 was deficient in the following areas:

1. Per Capita Tax Payments

During 2015, Local 78 made per capita tax payments totaling \$158,222.60 to the Christian Labor Association National Office; however, Local 78 reported \$0 in Item 47 (Per Capita Tax) on the LM-3 Report. During the audit, Ms. Tulenchik stated that Local 78 reported disbursements for per capita tax in payments in Item 54 (Other Disbursements). The LM-3 Instructions state that all disbursements for per capita tax (amounts paid as a condition or requirement of affiliation with your parent national or international union, state and local central bodies, a conference, joint or system board, joint council, federation or other labor organization) are required to be reported in Item 47.

2. Loans Receivable

Local 78 issued a \$50,000 loan to Christian Labor Association Local 8 in 2010 as initial funding for Local 8 when it came into existence. Local 8 has made periodic repayments to Local 78, including a payment of \$5,000 in 2015; however, Local 8 still has an outstanding balance of \$23,000 on the loan. Local 78 failed to report the beginning and ending balances of this outstanding loan in Item 26 (A) and (B) (Loans Receivable). The LM-3 Report requires that the total amount of all loans owed to the union by individuals, business enterprises, and labor organizations at the start and end of the reporting period be reported in columns (A) and (B), respectively, of Item 26. In addition, any loan repayments received by Local 78 during the year must be reported in Item 43 (Other Receipts).

4. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away a \$500 Visa gift card at the annual meeting in February and three \$500 scholarships during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the

recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

5. Item 51 (Contributions, Gifts, & Grants)

Local 78 failed to properly report a \$210 donation to the ALS Foundation, floral purchases for funerals totaling \$590.55, and three \$500 scholarships that were disbursed during the audit year. These amounts should have been reported in Item 51 (Contributions, Gifts, and Grants); however, it appears the union may have erroneously reported these donations in Item 48 (Office and Administrative Expenses). The LM-3 instructions for Item 51 require reporting of "disbursements for contributions, gifts, and grants made by your organization" in this item.

6. Disbursements to Officers and Employees

Local 78 did not include some reimbursements to officers totaling at least \$928.87 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48. For example, on January 28, 2015, you were reimbursed \$170.16 for a meal purchased at the Tin Shed for the River City Asphalt Negotiations. This amount was not reported next to your name in Item 24, Column E (Allowances and Other Disbursements).

The audit also revealed that Local 78 did not include some payments to employees totaling at least \$3,892.48 in the amounts reported Item 46 (To Employees). It appears the union erroneously reported these payments in Item 48. For example, Ms. Tulenchik and Secretary [REDACTED] each received bonus payments from Local 78 in the amounts of \$1,500 and \$750, respectively, on December 10, 2015. These amounts were not reported in Item 46. Disbursements to individuals other than officers who receive lost time payments, stipends, allowances, reimbursed expenses, etc., for conducting union business must be reported in Item 46 even if your organization does not consider them to be employees or does not make any other direct or indirect disbursements to them.

The union must report most direct disbursements to Local 78 officers and some indirect disbursements made on behalf of its officers in Item 24. Most direct disbursements to Local 78 employees and some indirect disbursements made on behalf of its employees must be reported in Item 46. A "direct disbursement" to an officer/employee 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/employee 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/employee. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel for room rent only) or for transportation by a public carrier (such as

an airline) for an officer/employee traveling on union business should be reported in Item 48 (Office and Administrative Expense).

7. Payments to Employees (in excess of \$10,000)

Item 17 (During the reporting period did your organization pay any employee salary, allowances, and other expenses, which, together with any payments from affiliates, totaled more than \$10,000?) should have been answered “Yes” because Ms. Tulenchik and [REDACTED] [REDACTED]ler each received payments from Local 78 in addition to payments they received from the Christian Labor Association National Office, Local 8, and Local 84. Together, the payments totaled more than \$10,000 for gross salaries, allowances, and other direct and indirect reimbursements that were made during 2015.

In addition to answering Item 17 “Yes,” Local 78 must report in Item 56 (Additional Information) the name and position of each employee and the names of the other affiliated labor organizations which made disbursements to or on behalf of the employee. You must also report in Item 56 the total disbursements made to each employee or on the employee’s behalf by your organization, including all salary and allowances and other disbursements.

I am not requiring Local 78 to file an amended LM report for 2015 to correct the deficient items, but Local 78 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Use of Signature Stamp

During the audit, Ms. Tulenchik advised that it is Local 78’s practice to require two signatures on all union checks. You, Ms. Tulenchik, and [REDACTED] are all signatories on the union’s bank account. During the organizational interview, Ms. Tulenchik stated that [REDACTED] will use a signature stamp bearing Ms. Tulenchik’s signature on union checks when Ms. Tulenchik is not available to sign checks. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the two signature requirement. OLMS recommends that Local 78 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Christian Labor Association Local 78 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,

[REDACTED]

Investigator

cc: Ms. Joni Tulenchik, National Vice President