



July 24, 2017

Ms. Gloria M. Garcia, President
Early Childhood Federation Local 1475
2550 N. Hollywood Way, Suite #400
Burbank, CA 91505

Case Number: 520-6010363 [REDACTED]
LM Number: 516709

Dear Ms. Garcia:

This office has recently completed an audit of Early Childhood Federation 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 on June 23, 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 1475's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1475 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$1,900.00. For example, receipts were not maintained that were required to be filed with Local 1475 expense vouchers.

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.

2. General Expenses

Local 1475 did not retain adequate documentation for expenses incurred by union officers totaling at least \$530.00. For example, items purchased for training purposes were not properly documented with an invoice or receipt detailing exact amount charged.

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.

3. Lost Wages

Local 1475 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$290.00. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 1475 retained documentation of lost time paid to union officers; however Internal Revenue Tax Forms were not maintained to substantiate payments.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 1475 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Information not Recorded in Meeting Minutes

During the audit, Ms. Garcia advised OLMS that the Executive Council authorizes expenses at its monthly meetings. Article 5, Sec. 2(b), notes that the Executive Council shall approve the annual budget of the Federation; however, Local 1475's Constitution provides no guidance on individual expense approval. The minutes of the Executive Council meeting do not contain references to all expense issues. Minutes of all

membership, executive council, and executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 1475 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 1475 for the fiscal year ended September 30, 2016, was deficient in the following areas:

Disbursements to Officers

Local 1475 did not include some reimbursements to officers totaling at least \$2,800.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local 1475 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).

Local 1475 must file an amended Form LM-3 for the fiscal year ended September 30, 2015, to correct the reporting error in per capita tax disbursements. I encourage Local 1475 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than August 15, 2017 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issues

Expense Policy

As I discussed during the exit interview with 1475, the audit revealed that Local 1475 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.

I want to extend my personal appreciation to Early Childhood Federation 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,

A solid black rectangular box used to redact the signature of the investigator.

Investigator

cc: Ms. Maria T. Huitron, Treasurer