



November 20, 2017

Mr. David Gerard, President
Communication Workers Local 14430
930 N. York Road
Hinsdale, IL 60521

Case Number: 310-6011901 [REDACTED]
LM Number: 013068

Dear Mr. Gerard:

This office has recently completed an audit of Communication Workers Local 14430 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, Secretary Treasurer Philip Terran, [REDACTED], and Vice President John Pratt on November 20, 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 14430's records for fiscal year ended September 30, 2016, revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 14430 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers, totaling at least \$8,800. For example, you and other union officials charged meeting room rentals, lodging, and golf outing expenses to the union-issued credit cards, but the only supporting documentation retained was the credit card statements. Credit card statements alone are not sufficient to fulfill the recordkeeping requirement.

As another example, union officers received per diem related to attending conferences and conventions, but adequate documentation was not retained. The only records retained were check stubs, which did not identify the dates, location of travel, per diem rate paid, or the business purpose of each trip. In the case of per diem payments to officers for travel on union business, Local 14430 must maintain records which identify the business purpose of each trip, the dates of travel, the destination, and the per diem rate paid. During the exit interview, I provided a compliance tip sheet, *Reimbursed Travel Expense Payments*, which contains a sample of an expense voucher Local 14430 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for officer expenses.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In addition, in the case of these types of travel expenses, the records retained must also identify the location, dates, and union business purpose of the travel that required the expenses be incurred. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 14430 did not retain adequate documentation for meal expenses incurred by officers, totaling at least \$700. Local 14430 retained the credit card statement and credit card receipts; however, most meal expenses charged to the union-issued credit card failed to include the union business conducted or the names and/or 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.

In addition, Local 14430 did not always require officers and employees to submit itemized receipts for meal expenses. 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.

3. Lost Wages

Local 14430 did not retain adequate documentation for lost wage reimbursement payments to officers, totaling at least \$19,800. Records must be maintained 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 the only record Local 14430 maintained was check stubs, which only identified the total hours of lost time per weekly pay period and rate of pay. Neither the check stubs nor any other union record identified the date of the claim or the union business being conducted. During the exit interview, I provided the compliance tip, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain.

4. Hourly Wage Payments to Officers

Local 14430 did not maintain records to verify that the salary reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 was the authorized amount, and therefore correctly reported. Local 14430 advised that Secretary Treasurer Terran and [REDACTED], who are both retired members, are also part-time employees of the union, and are paid an hourly rate for hours worked. Neither Mr. Terran nor [REDACTED] have a set schedule, and work on an “as needed basis.” During the audit period, Local 14430 disbursed wages to Mr. Terran and [REDACTED] totaling at least \$28,800, but did not retain adequate documentation for those payments. In the case of salary payments to Mr. Terran and [REDACTED], records must be maintained that identify each date wages were incurred, the number of hours worked on each date and the applicable rate of pay.

5. Lack of Salary Authorization

Mr. Terran, [REDACTED], and you received salaries totaling at least \$51,600 during the audit period. However, Local 14430 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. While salary authorizations for some officers are listed in Local 14430’s bylaws, these are not the actual salaries being paid. 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.

6. Lack of Benefit Authorization

The audit revealed Local 14430 disbursed at least \$14,800 to the Chicago Sun Times for the medical and dental benefit of Mr. Terran. However, Local 14430 did not maintain records to verify that the benefit payments reported in Item 50 (Benefits) of the LM-3 was the authorized amount and therefore correctly reported. You advised that beginning in January 2018, this benefit will no longer be paid on behalf of Mr. Terran, because he is eligible for Medicare. The union must keep a record, such as meeting minutes, to show the current benefits authorized by the entity or individual in the union with the authority to establish fringe benefits.

Based on your assurance that Local 14430 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 14430 for the fiscal year ended September 30, 2016, was deficient in the following areas:

1. Certificates of Deposit Recorded as Investments

Local 14430 erroneously reported the value of its certificates of deposit at the beginning and end of the fiscal year in Item 28 (Investments). The LM-3 instructions require all cash on deposit, such as checking accounts, savings accounts, certificates of deposit and money market accounts to be reported in Item 25 (Cash).

2. Disbursements to Officers

Local 14430 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The audit revealed that the union had three additional officers, Trustees [REDACTED] who are not identified in Item 24. The general ledger shows that all of the trustees received disbursements during the audit year. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 14430 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).

3. Disbursements for Benefits

Local 14430 failed to report benefit payments made on behalf of Mr. Terran in Item 50 (Benefits). The general ledger and check stubs show that during the audit year, Local 14430 made payments, totaling at least \$14,800, on behalf of Mr. Terran, for medical and

dental insurance. However, only \$200 was reported in Item 50. It appears these payments were erroneously reported elsewhere on the report.

4. Other Receipts

Local 14430's general ledger and duplicate receipts show that the union received over \$4,500 in receipts from officer travel reimbursements, reimbursement from diversity conference, sale of t-shirts, and a golf outing, but nothing was reported in Item 43 (Other Receipts). It appears these receipts receipt were erroneously reported elsewhere and/or omitted from the report.

I am not requiring that Local 14430 file an amended LM report for fiscal year ended September 30, 2016, to correct the deficient items, but Local 14430 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to CWA Local 14430 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]

[REDACTED]

Investigator

cc: Mr. Philip Terran, Secretary Treasurer
[REDACTED], Past President