



July 25, 2018

Mr. Theodore Kirsch, President
Teachers AFL-CIO Local 8036
3031 Walton Road
Building A, Suite 340
Plymouth Meeting, PA 19462

Case Number: 140-6012314 [REDACTED]
LM Number: 530716

Dear Mr. Kirsch:

This office has recently completed an audit of Teachers AFL-CIO Local 8036 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 Treasurer Stephanie Lerner and Bookkeeper Margery Byrne on July 17, 2018, 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 8036's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 8036 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by President Theodore Kirsch totaling at least \$1,036.32. For example,

there was no documentation for gas purchases totaling \$966.67 made at Wawa and Sunoco gas stations with the Wawa and Sunoco credit cards or for toll expenses incurred through President Kirsch's EZPass account totaling at least \$69.65.

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. Meal Expenses

Local 8036 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$95.65. 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 8036's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, credit card purchases on July 1, 2016 in the amount of \$20.65 for a lunch meeting at Midtown Restaurant and on January 25, 2017 in the amount of \$75.00 for a room rental for a PSD meeting at Manayunk Brewing Company. 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.

Based on your assurance that Local 8036 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-2 filed by Local 8036 for the fiscal year ended (FYE) May 31, 2017, was deficient in the following areas:

1. Officers Not Reported

Local 8036 did not report the names of all part-time officers in Schedule 11 (All Officers and Disbursements to Officers) because they did not receive payments to them or on their behalf. The union must report in Schedule 11 all persons who held office during the year, regardless of whether they received any payments from the union.

2. Withheld Taxes, Payroll Deductions and All Other Deductions

Local 8036 listed officers' and employees' gross salaries in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) of the form, however, failed to report the amount of withheld taxes, payroll deductions, and all other deductions on the "Less Deductions" line of the respective schedule. In addition, all total withholding taxes and all other payroll deductions during the reporting period should be reported in Statement B (Receipts and Disbursements), Item 67 (Withholding Taxes and Other Payroll Deductions). It appears that the local erroneously reported these deductions in Item 65 (Direct Taxes).

3. Other Liabilities

The audit disclosed that Local 8036 erroneously reported accrual of unused sick and vacation time to be paid to two officers and six staff members totaling \$38,309.00 in Schedule 12 (Disbursements to Employees). Under Statement B (Receipts and Disbursements) of the form, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization. The instructions for Form LM-2 provide any portion of withheld taxes or any other payroll or other deductions, which have not been transmitted at the end of the reporting period, are liabilities of the labor organization and must be reported in Schedule 10 (Other Liabilities). Payroll or other deductions that are retained by the labor organization (such as repayments of loans to officers or employees) must be fully explained in Item 69 (Additional Information).

4. Disbursements to Officers and Employees

Local 8036 did not include some indirect disbursements made to Verizon Wireless on behalf of President Kirsch totaling at least \$2,732.42 in Column G (Other Disbursements) of Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union

personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

5. Per Capita Tax

Local 8036 must report under Schedule B (Receipts and Disbursements), Item 37 (Per Capita Tax receipts) the total per capita tax received. It appears that Local 8036 erroneously reported this amount under Item 36 (Dues and Agency Fees).

Include under Item 37 the per capita tax portion of dues received directly by your organization from members of affiliates, per capita tax received from subordinates, either directly or through intermediaries, and the per capita tax portion of dues received through a checkoff arrangement whereby local dues are remitted directly to an intermediate or parent body by employers. Do not include dues collected on behalf of subordinate organizations for transmittal to them. For example, if a parent body received dues checkoff directly from an employer and returned the local's portion of the dues, the parent body must report the dues received on behalf of the local in Item 46 (On Behalf of Affiliates for Transmittal to Them).

6. 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 8036 amended its constitution and bylaws in June 2015 but did not file a copy with its LM report for that year. Local 8036 most recently amended its constitution and bylaws in June 2017 after the end of FYE May 31, 2017. Local 8036 has now filed a copy of its current constitution and bylaws.

I am not requiring that Local 8036 file an amended LM-2 report for 2017 to correct the deficient items, but Local 8036 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Section 503(a) of the LMRDA

Article VI, Section 4(I) of the Local 8036 Bylaws states: "The Executive Council shall conduct the financial business of the AFT Pennsylvania, shall authorize payment of proper financial obligations, and may borrow money and authorize loans in the name of the AFT Pennsylvania." As a reminder, Title V, Section 503(a) of the LMRDA prohibits loans in excess of \$2,000 to officers and employees. You and Treasurer Lerner were uncertain whether this provision of the bylaws allows for loans to officers and employees, but you

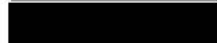
advised Local 8036 has never authorized such loans and that Local 8036 will consider amending this section at its next convention to ensure compliance with the LMRDA.

2. Credit Card Policy

The audit revealed that President Kirsch uses his personal credit card to pay for union expenses and that Local 8036 makes direct payments to the credit card company for the union expenses because Local 8036 does not have a credit card in the union's name. The audit revealed Local 8036 does not have an established credit card policy. OLMS recommends that unions (1) adopt clear policies and procedures for credit card use and payment, (2) maintain detailed documentation to support each credit card charge and credit card payment, and (3) regularly monitor compliance with the established credit card policies and procedures.

I want to extend my personal appreciation to Teachers AFL-CIO Local 8036 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 large black rectangular redaction box covering the signature of the investigator.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Ms. Stephanie Lerner, Treasurer