



September 28, 2018

Ms. Joni Tulenchik, President
Christian Labor Association

Case Number: 320-6014341
LM Number: 000203

Dear Ms. Tulenchik:

This office has recently completed an audit of Christian Labor Association 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 Vice President Clarence Merrill, Treasurer Steve Martinie, former Treasurer Mike VanTubergen, and Bookkeeper Robin Rett on September 25, 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 the CLA's 2017 records revealed the following recordkeeping violations:

1. Credit Card Expenses

The CLA did not retain adequate documentation for credit card expenses incurred by Mr. Merrill and you totaling at least \$3,865 during 2017. For example, a \$208 credit card charge made by Mr. Merrill at Lake Express on June 6, 2017 did not include a union business purpose on the receipt, which is not sufficient.

The CLA's records of meal expenses did not always include itemized receipts and did not always include the business purpose of the meal. For example, you charged at least \$1,295 to the CLA's credit card for meal expenses during the audit period. In support of these meal expenses, the CLA only retained the credit card signature receipt or failed to record the union business purpose on the receipt, which is not sufficient. As another example, Mr. Merrill charged a \$119 meal to the union credit card at The Stable Inn on October 17, 2017 for a Local 18 meeting. In support of this expense, Mr. Merrill only kept the credit card signature receipt, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. 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. Union Owned Vehicles

The CLA did not maintain records necessary to verify the accuracy of the information that is required to be reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

The CLA incurred expenses totaling at least \$12,705 for the union automobiles assigned to you and Mr. Merrill during 2017, including gas, insurance, repairs and maintenance expenses. Mr. Merrill did not maintain a mileage log detailing his use of his union vehicle in 2017. Your mileage log for 2017 is not sufficient because you only recorded your personal use of your union vehicle; you did not record the business use of your union vehicle on your mileage log or in any other union record.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain a record, such as mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

3. Reimbursed Auto Expenses

CLA officers and employees received reimbursement for business use of their personal vehicles, but did not retain adequate documentation to support payments to them totaling at least \$518.73 during 2017. Their mileage reimbursements were claimed on expense vouchers that normally identified the union business conducted, the mileage rate claimed, and the total miles driven; however, the expense vouchers were not sufficient because they failed to identify the dates of travel, the number of miles driven each day, and the locations traveled to and from.

The CLA 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.

The proper maintenance of union records for business expenses is the personal responsibility of the individuals required to file the CLA's LM report. Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records.

Based on your assurance that the CLA will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations. However, the CLA's records will be reviewed by this office again within the next two years to ensure that the above record keeping violations have been corrected.

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 the CLA for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Disbursements to Officers and Employees

The audit revealed that CLA did not include some indirect disbursements for charges made on the union credit card by officers and employees totaling at least \$15,946 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, the CLA records indicate that you incurred meal and travel expenses on the union credit card totaling at least \$1,675 that were not included in the amount reported for you in Column F (Disbursements for Official Business) of Schedule

11. 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.

2. Automobile Expenses

The CLA did not include disbursements for the operation and maintenance of union automobiles totaling at least \$8,896 in the amounts reported in Schedule 11. As mentioned previously, a review of the union's credit card statements and corresponding receipts revealed that you and Mr. Merrill incurred charges for gas, repairs, and maintenance of the union vehicle. In addition, the CLA disbursed two checks totaling more than \$3,179 to Auto Owners Insurance and The Hartford Auto Insurance for automobile insurance.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

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

Other Issue

Use of Signature Stamp and One-Signature Requirement

During the audit, Mr. Merrill advised that it was the CLA's practice for former Bookkeeper Jenifer Keegstra to prepare all of the union's checks, and she was occasionally allowed to stamp Mr. Merrill's signature on a check when Mr. Merrill was out of the office or on vacation. Mr. Merrill stated that the CLA's signature stamp policy is not in writing. The purpose of a handwritten signature on a check is to attest to the authenticity of the completed check. However, the former bookkeeper's use of Mr. Merrill's signature stamp does not attest to the authenticity of the check completed by the bookkeeper and completely circumvents and undermines the purpose of the signature requirement. Further, the audit also revealed that the CLA's checks are signed by only one officer, Mr. Merrill. Although not prohibited by the CLA Constitution and Bylaws, a single signature requirement on union checks is not an effective internal control of union funds. The purpose of second signature is to attest to the authenticity of a completed document that has already been signed. OLMS recommends that the CLA review these disbursement procedures to improve internal control of union funds.

I want to extend my personal appreciation to the CLA 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 I can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. Steve Martinie, Treasurer
Mr. Clarence Merrill, Vice President