



August 27, 2018

Ms. Renee Brand, Treasurer
Communications Workers, AFL-CIO, Local 7304
[REDACTED]

Case Number: 320-6012558 [REDACTED]
LM Number: 036095

Dear Ms. Brand:

This office has recently completed an audit of Communication Workers (CWA) Local 7202 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 President Matt Lelou on April 4, 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 7304's 2017 records revealed the following recordkeeping violations:

1. Disbursements to Vendors

Local 7304 did not retain adequate documentation for disbursements paid to vendors totaling over \$1,595 during the audit year. For example, Local 7304 did not retained any documentation, such as a receipt or invoice, to support a \$1,595.40 check, check [REDACTED], to Monarch Travel for airfare, which is not sufficient.

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. Receipt Dates not Recorded

Local 7304's receipts records reflect the date the union deposited money, but not the date that money was received from employers Rengal Printing, Knudtson Printing, and the Grand Forks Herald. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

3. Fixed Assets

The audit revealed that Local 7304 has significant fixed assets, including but not limited to, 11 laptop computers and office furniture; however, Local 7304 failed to retain any records that identified these assets and their value. During the audit you advised that Local 7304 does not keep an inventory list of its fixed assets, but agreed to create an inventory list and maintain the list by adding new purchases, removing old equipment that has been sold, donated, or destroyed, and recording the cost and depreciation of each asset.

In the case of fixed assets, the local must maintain an inventory or other similar record(s) identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Schedule 6 (Fixed Assets) of the Form LM-2.

Based on your assurance that Local 7304 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 7304 for the fiscal year ended September 30, 2017, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 7304 did not include some salary payments to officers totaling at least \$2,753 in the amounts reported in Column D (Gross Salary Disbursements) of Schedule 11 (All Officers and Disbursements to Officers). For example, Local 7304's records indicate you were paid salary and lost wages total at least \$18,964; however, the total amount reported in Column D of Schedule 11 for you was \$18,586. In addition, Mr. Gray was paid at least \$24,295 in salary and lost wages, but the total amount reported in Column D of Schedule 11 for him was \$21,920.

In addition, Local 7304 reported all expenses paid to officers and employees in Column E (Allowances Disbursed) of Schedule 11 and Schedule 12 (Disbursements to Employees), instead of Column F (Disbursements For Official Business). For example, the only allowance paid to you and Mr. Brand was a \$50 monthly phone allowance (\$600 per year), yet the amounts reported next to your names in Column E were \$6,679 and \$7,387, respectively. Further, the disbursements to you and Mr. Brand were over reported in Column E by at least \$12,866, and to all other officers by \$27,555. The audit revealed that Local 7304 erroneously reported some indirect disbursements that the union made for airfare in Column E, rather than in Schedules 15 through 19.

The union must report in Column E (Allowances Disbursed) the total allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis, but should not include allowances paid on the basis of mileage or meals which must be reported in Column F or Column G (Other Disbursements), as applicable. The union must report in Column F all direct and indirect disbursements to each officer that were necessary for conducting official business of the labor organization. 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 of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business

2. Withheld Taxes/Payroll Deductions

Local 7304 failed to report any deductions (including tax withholding) from officer and employee salaries and other disbursements in Schedule 11 and Schedule 12. As a result, the total amount of payments to officers and employees were incorrectly reported on Line 9 (Net Disbursements) at the bottom of Schedules 11 and 12. As noted in the LM-2 Instructions, the total amount of withheld taxes, payroll deductions, and all other deductions are to be entered on Line 8 (Less Deductions) of Schedules 11 and 12. The LM-2 filing software subtracts the amount reported on Line 8 from Line 7 (Total Officer Disbursements), and enters the difference on Line 9.

3. Failure to Itemize Disbursements

Local 7304 did not properly report a “major” transactions in Schedule 17 (Contributions, Gifts, and Grants). A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period that the union cannot properly report elsewhere in Statement B. For example, the audit revealed six payments totaling \$77,322 that were made to New Flyer during the reporting period; however, the disbursements to New Flyer were under reported by \$1,982 in Schedule 19 (Union Administration). Local 7304 only reported payments totaling \$75,340 on the two itemization pages for New Flyer in Schedule 19 instead of \$77,322. Additionally, Local 7304 failed to itemize five individual transactions that were more than \$5,000 each on the two itemization pages for New Flyer in Schedule 19.

4. Fixed Assets

Local 7304 did not report the value of their fixed assets in Schedule 6 (Fixed Assets) and Item 27 (Fixed Assets). As mentioned above, Local 7304 has significant fixed assets such as 11 laptop computers, office furniture, and other equipment, but Local 7304 only reported \$313 in Schedule 6, Line D (Office Furniture and Equipment). As noted above, the union failed to keep adequate records identifying the union’s fixed assets required to be reported in Schedule 6 and Item 27.

Local 7304 must report the book value of all their fixed assets, including office furniture and equipment, owned by the labor organization at the start and end of the reporting period in Schedule 6 and Item 27. The book value of fixed assets is cost less depreciation.

5. Constitution and 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 7304 amended its constitution and bylaws in 2016 but did not file a copy with its LM report for that year. Local 7304 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 7304 file an amended LM report for 2017 to correct the deficient items, but Local 7304 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 7304 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]

Senior Investigator

cc: Mr. Matt Lelou, President