



May 15, 2019

Ms. Randi Schultz, President  
Communications Workers, AFL-CIO  
Local 84811  
1605 Center Avenue  
Janesville, WI 53546

Case Number: 320-6015525 [REDACTED]  
LM Number: 020108

Dear Ms. Schultz:

This office has recently completed an audit of Communications Workers, AFL-CIO Local 84811 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 Financial Secretary/Treasurer Kathy Pawluk on April 29, 2019, 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 84811's 2018 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 84811 did not retain adequate documentation for payments to you and Vice President Chuck Pepitone totaling at least \$508. For example, adequate supporting documentation was not retained for a \$267.97 reimbursement to you for airfare you purchased to attend an International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers - Communications Workers of America (IUE-CWA) Division Meeting in Orlando, FL. In support of this payment, Local 84811 only retained a check stub, which is not sufficient. As another example, adequate supporting documentation was not retained for a \$25 reimbursement to Mr. Pepitone for a baggage fee he incurred while traveling to IUE-CWA officer training. In support of this payment, Local 84811 only retained Mr. Pepitone's credit card statement and a check stub, 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. Disposition of Property

The audit revealed that Local 84811 did not maintain an inventory of tee-shirts it sold or gave away during the audit period. While Local 84811 retained records that identify persons who received the tee-shirts and the date the tee-shirts were sold or given away, it did not maintain records that identified the tee-shirts that were on hand at the beginning and end of the year.

Records must be retained which account for all union property. In the case of tee-shirts or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 84811 in Statements A (Assets and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The value of any tee-shirts or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-3 report with the identity of the recipient(s) or donor of such property.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

3. Receipt Dates not Recorded

Entries in Local 84811's QuickBooks general ledger reflect the date the union deposited money, but not the date money was received for an IUE-CWA reimbursement check and cash receipts that appear to have been "netted" from 50/50 raffles (as noted below and from the previous fiscal year) totaling at least \$467. 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 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.

#### 4. Receipts and Disbursements From 50/50 Raffles

During the audit year, Local 84811 conducted 50/50 raffles during at least five membership meetings. The audit revealed that Local 84811 failed to maintain any records to support the amount of cash collected from these 50/50 raffles. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

In addition, Local 84811 did not retain adequate records to account for disbursements it made with cash collected from 50/50 raffles. Specifically, while Local 84811's monthly membership meeting minutes contained the names of all five raffle winners, the amount paid to the raffle winners was only recorded for one of the five winners. The winners of 50/50 raffles, along with the amount disbursed to them, must be recorded in the union's records.

Based on your assurance that Local 84811 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 84811 for the fiscal year ended September 30, 2018, was deficient in the following areas:

##### 1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because Local 84811 gave away tee-shirts and lottery tickets totaling at least \$195 during the audit year. The union must identify the type and value of any property received or given away in Item 56 (Additional Information) of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers and Employees

Local 84811 did not include reimbursements to you totaling at least \$689 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). Local 84811's disbursements records indicate that you received reimbursed expenses totaling \$3,603; however, the total amount reported in Column E of Item 24 for you was \$2,914. It appears that Local 84811 erroneously reported some of your reimbursed expenses in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 84811 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.

3. Statement A (Cash Balances) and Statement B (Total Receipts)

The cash figures reported in Item 25 (A) (Cash, Start of the Reporting Period) and Item 25 (B) (Cash, End of Reporting Period) of Statement A are not the figures according to Local 84811's books after reconciliation to the bank statements. The cash balance as of October 1, 2017, as reconciled to the bank statements, was \$46,248; however, the cash balance reported in Item 25 (A) was \$47,113. The cash balance as of September 30, 2018, as reconciled to the bank statements, was \$58,919; however, the cash balance reported in Item 25 (B) was \$55,870. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Additionally, Local 84811 had total receipts of \$47,677 recorded in its receipts records and on its bank statements during the audit year. However, Local 84811 reported total receipts of \$43,684 in Item 44 (Total Receipts) of Statement B.

It appears that the discrepancy with the amount reported in Item 25 (B) as well as most of the discrepancy with the amount reported in Item 44 can be attributed to the fact that during 2018, Local 84811 recorded receipts totaling at least \$3,049 in QuickBooks a month after the receipts were actually received by the union, which resulted in these receipts not being reported in the fiscal year they were actually received. The LM-3 instructions require that the LM-3 be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. As noted above, failure to record the exact date that monies were received could result in some

receipts being reported in a different year than they were actually received. Local 84811 should take steps to ensure that all transactions are recorded in a timely manner.

4. Receipts and Disbursements From 50/50 Raffles

The audit revealed that the receipts and disbursements reported in Statement B of the LM-3 for Local 84811's 50/50 raffles were "netted," meaning that the related receipts and disbursements were offset by one another and only the difference was recorded as a receipt or disbursement when entered in the QuickBooks general ledger and reported on the LM report. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. All of the money received from members for the 50/50 raffles should have been reported in Item 43 (Other Receipts). All of the money disbursed to members that won the 50/50 raffles should have been reported in Item 48. OLMS also recommends that in future 50/50 raffles Local 84811 deposits the total amount of the raffle proceeds and write checks to the raffle winners.

5. 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 84811 amended its bylaws in November 2011, but did not file a copy with its LM report for fiscal year ended September 30, 2012. Local 84811 has now filed a copy of its 2011 bylaws.

I am not requiring that Local 84811 file an amended LM report for 2018 to correct the deficient items, but Local 84811 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Communications Workers Local 84811 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,



Investigator

cc: Ms. Kathy Pawluk, Financial Secretary/Treasurer