



August 20, 2019

Mr. Enrique Reyes, President  
Hearst International Employees Association  
300 W 57th Street  
New York, NY 10019

Case Number: 130-6014950  
LM Number: 061598

Dear Mr. Reyes:

This office has recently completed an audit of Hearst International Employees Association (HIEA) 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 on August 16, 2019 with Recording Secretary Edward Henderson, 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 HIEA's records revealed the following recordkeeping violations:

#### 1. Failure to Record Receipts

During the current fiscal year ended December 31, 2019, HIEA has not recorded dues payments by members totaling \$48.00. Members [REDACTED], [REDACTED], [REDACTED] and [REDACTED] paid their dues directly to the union, but at the date of the

organizational interview held on May 29, 2019, these receipts had not been recorded. Union receipts records must be properly recorded and 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.

## 2. Receipt Dates not Recorded

HIEA does not keep a receipts journal. Union records must show the date of receipts. The date of receipt is required to verify, explain, or clarify amounts required to be reported. HIEA has no record of the date on which members pay their dues. 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. Information not Recorded in Meeting Minutes

During the audit, President Reyes and Recording Secretary Henderson advised OLMS that in 2015 the union president made a \$50.00 gift to each union member that amounted to a disbursement of \$7,050.00 in union funds. HIEA's Constitution and Bylaws establish in Article IV that it is the duty of the union's Secretary-Treasurer to make any and all disbursements, and that expenditures must be approved by an unanimous vote of the union's Executive Board. HIEA could not provide minutes of meetings that contain any reference as to the authorization of the disbursement referenced in this paragraph. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file HIEA's LM reports. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### 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-4 filed by HIEA for the fiscal year ended December 31, 2018, was deficient in the following areas:

#### 1. Fiscal year end date

During the organizational interview held on May 29, 2019, you and Secretary Treasurer Henderson explained that the union's Form LM-4 report for fiscal year ended 2018 mistakenly reported the union's fiscal year ran from May 1, 2017 through May 1, 2018. As of the date of this letter, HIEA as submitted an amended LM report for 2018 that runs from January 1, 2018 through December 31, 2018, the union's fiscal year.

## 2. Assets, Receipts and Disbursements

During the organizational interview, you were informed that the process by which HIEA had arrived at the amounts for assets, receipts and disbursements reported differed from the one laid out in the Form LM-4 reports' instructions. For example, on the LM report for fiscal year ended December 31, 2018, Item 16 should have contained number dollar amounts but was left blank, while other items were filled out with lines.

Assets to be reported include cash on hand and in banks, property, loans owed to the labor organization, investments, office furniture, automobiles, and anything else owned by the labor organization. Receipts, on the other hand, include dues, fees, fines, assessments, interest, dividends, rent, money from the sale of assets, and loans received by the labor organization. Finally, disbursements include net payments to officers and employees, per capita tax and any other fees or assessments that the labor organization paid to any other organization, payments for administrative expenses, loans made by the labor organization, and taxes paid.

## 3. Changes in constitution and bylaws or practices/procedures

During the organizational interview carried out during May 29, 2019, HIEA stated the union does not follow the procedures established in its constitution and bylaws as filed with OLMS. For example, the union's current Executive Board does not contain all the positions established in Article II of the HIEA's Constitution and Bylaws, and meetings are not carried out with the frequency established in Article VIII.

If a union has changed any of a number of key practices/procedures listed in the LM-4 instructions during the reporting period and the practices/procedures are not described in the labor organization's constitution and bylaws, the labor organization must file an amended Form LM-1 (Labor Organization Information Report) with its Form LM-4 to update information on file with OLMS.

## 4. 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. Although at the beginning of the audit HIEA had not submitted its constitution and bylaws to OLMS, as of the date of this letter a copy had been provided.

5. Failure to File Electronically

HIEA did not file its LM reports for fiscal years ended December 31, 2017 or December 31, 2018 using the OLMS Electronic Filing system (EFS). All Labor Organization Annual Reports for the fiscal years beginning on or after January 1, 2017 are required to be filed using EFS. You and Mr. Henderson agreed HIEA would file its next LM reports using EFS.

6. Delinquent report (fiscal year ended December 31, 2016)

After having been informed by OLMS of the delinquent status of Form LM-4 report for its fiscal year ended December 31, 2016, HIEA submitted a report for this fiscal year on May 29, 2019. This report was later amended by a report filed on August 16, 2019.

Other Violations

The audit disclosed the following other violations:

1. Failure to Hold Periodic Officer Elections

You advised OLMS the union has never held union officer elections. Section 401(b) of the LMRDA requires local unions to hold officer elections at least every three years. During the organizational interview held on May 29, 2019, you and Recording Secretary Henderson stated the union would carry out a nominations and election process no later than September 30, 2019.

2. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that HIEA's officers were not bonded for the minimum amount required. You and Mr. Henderson agreed you would provide OLMS with proof of sufficient and adequate bonding no later than September 30, 2019.

3. Duplicate Receipts

Members of HIEA pay dues directly to the union, but HIEA does not record dues payments or issue receipts to dues payers. OLMS recommends that HIEA use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income that is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

Other Issues

1. Failure to Deposit Direct Dues Payments

During our organizational interview on May 29, 2019, it was disclosed that instead of depositing dues paid directly into the union, the union has kept the dues in a desk. OLMS recommends that HIEA deposit dues received promptly after receipt. Please note union receipts should be responsibly handled.

2. Check Signatories

During the audit, you advised that although there are two HIEA officers, you are only person authorized as a signatory on the union's bank accounts. OLMS recommends that HIEA review these procedures and have two officers sign off on each check issued from the union's bank account –or any other document authorizing a disbursement– to improve internal control of union funds.

I want to extend my personal appreciation to HIEA 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.

Investigator

cc: Edward Henderson, Recording Secretary