

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Division of International Union Audits
1341 G Street, N.W., Room 201
Washington, D.C. 20005



May 27, 2009

Mr. Michael J. Winship
President
Writers Guild of America East, AFL-CIO
555 West 57th Street
New York, NY 10019

Dear President Winship:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has recently completed a follow-up compliance audit of the Writers Guild of America East (WGAE). The follow-up audit was conducted under the International Compliance Audit Program (I-CAP), pursuant to the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The purpose of this follow-up audit was to assess the progress of the WGAE in rectifying deficiencies identified during the original I-CAP audit.

This letter documents the areas reviewed and discussed with the WGAE officials during the exit meeting on May 26, 2009. The meeting was conducted with the following WGAE officials and representatives: Lowell Peterson, Executive Director; Marsha Seeman, Assistant Executive Director; Ira S. Cure, Senior Counsel; Noah Rifkin, Certified Public Accountant; and Gary Wesalo, Controller. The purpose of the meeting was to review follow-up audit findings, including review of the amended Form LM-2 report submitted by the WGAE for fiscal year 2006 and the Form LM-2 reports submitted for fiscal years 2007 and 2008. The findings were first identified during the initial audit and in the audit closing letter dated April 9, 2007. The findings are summarized below along with an assessment of the WGAE's progress in correcting them.

Neither the findings summarized in the initial audit, nor the subsequent follow-up review purport to be an exhaustive list of all possible problem areas since the compliance audit and follow-up were limited in scope.

Reporting Deficiencies - LMRDA Section 201

Section 201(b) of the LMRDA requires that labor organizations file with OLMS an annual financial report that accurately discloses the union's financial condition and operations.

The I-CAP closing letter, dated April 9, 2007, identified 17 reporting deficiencies in the following areas: constitution and bylaws, membership categories, netting, benefits, itemization of disbursements, contingent liabilities, cash balances, signatures on the Form LM-2, accounts receivable, loans receivable, payroll taxes, and inadequate descriptions. In response to these audit findings, the WGAE filed an amended Form LM-2 for the fiscal year ending March 31, 2006. During the follow-up audit, the I-CAP Team compared the original Form LM-2 for fiscal year ending March 31, 2006 to the amended Form LM-2 for the same year.

The I-CAP Team determined that 14 of the 17 reporting deficiencies were corrected on the amended Form LM-2 for fiscal year ending March 31, 2006. Three deficiencies were not corrected. In the original Form LM-2, non-itemized disbursements for taxi services for WGAE officials were incorrectly reported in Schedule 19 (Union Administration), instead of next to the names of the officers or employees who incurred those expenses in Schedule 11 (All Officers and Disbursements to Officers) or Schedule 12 (Disbursements to Employees). The amended Form LM-2 was not revised to allocate the disbursements for the appropriate WGAE officers or employees in Schedules 11 or 12. WGAE officials indicated that the receipts for the taxi services were not identified by individual, thus making proper amendments to the 2006 Form LM-2 problematic. However, WGAE officials advised that going forward the new expense policy requires officers and employees to maintain all receipts for reimbursement.

The initial audit revealed that WGAE had two contingent liabilities, but did not answer "Yes" to Item 17 (Contingent Liabilities) and did not describe the contingencies in Item 69 (Additional Information). Although WGAE did correctly answer "Yes" to Item 17 in the amended report and did describe one of the contingencies in Item 69, the union did not describe in Item 69 the contingent liability for the litigation involving the Writer's Guild of America, West. The follow-up audit revealed that this second contingency has since been resolved and the contingent liability no longer exists.

Also, the amended Form LM-2 report did not correct the inadequate descriptions of business types contained in Column (B) in certain of the itemization pages for Schedule 19. The I-CAP Team determined that the WGAE still identified business types as "Awards Ceremony", "Vendor", and "Union Function." As indicated in our initial I-CAP closing letter, Form LM-2 instructions require the reporting of more descriptive classifications for business types.

The I-CAP Team is not requiring that the WGAE file another amended Form LM-2 for 2006 to correct these final three remaining deficient items, based on assurances from the union that it will report these items correctly on all future filings with OLMS.

Inadequate Recordkeeping - LMRDA Section 206

Pursuant to Section 206 of the LMRDA, every person required to file any report under Title II of the LMRDA shall maintain records on the matters reported that provide, in sufficient detail, the information and data from which the documents may be verified, explained, or clarified and checked for accuracy and completeness. All required records must be maintained for at least five years following the date the financial report is filed. Records over five years in age must be maintained if necessary to verify reports filed within the last five years.

The I-CAP closing letter identified one area of deficient recordkeeping, that being the WGAE officers and employees failed to maintain adequate documentation for reimbursed expenses and expenses charged to union credit cards. The WGAE has since issued new expense reimbursement procedures and instructions to all personnel and has modified the expense form to facilitate documentation in accordance with LMRDA requirements. The I-CAP Team determined that the WGAE has adequately addressed its recordkeeping deficiencies.

Inadequate Bonding - LMRDA Section 502

Section 502 of the LMRDA requires that every person who handles funds or other property of the union shall be bonded for no less than ten percent of the total funds handled by those individuals or their predecessors during the preceding fiscal year.

The audit disclosed a violation of LMRDA Section 502 in that two employees handling member receipts were under bonded. During the initial and follow-up audit, the I-CAP Team verified that the additional bonding coverage was obtained for the employees in question.

Office Holding Prohibitions - LMRDA Section 504

Section 504(a) of the LMRDA prohibits persons convicted of certain offenses from holding labor organization office or employment for a period of thirteen years from the date of conviction or release from prison, whichever is later. It is also a violation of Section 504 for another person to willfully and knowingly hire, retain, employ or otherwise place a barred person in a prohibited capacity.

During this follow-up audit, WGAE officials stated and the I-CAP Team confirmed that all new employees must sign an affirmation of compliance with LMRDA Section 504.

Internal Controls

Adequate internal financial controls are essential to prevent the misuse of funds and to support the financial responsibility and other obligations under Title II and Title V of the LMRDA. Title V stipulates, among other things, the fiduciary responsibility of officers of labor organizations. As a general matter, weaknesses in financial controls can lead to violations of Section 501 of the LMRDA.

The I-CAP closing letter identified eight internal control weaknesses in the following areas: expense policy, proper control of incoming checks, outstanding checks, investment policy, segregation of duties, original officer signatures on checks, officer review of supporting documents, and no detailed inventory of assets.

The WGAE has taken steps to strengthen internal controls in response to most of these findings. However, the WGAE still does not have a satisfactory investment policy in place. Additionally, although the WGAE did make improvements in the asset inventory area by creating a schedule of tagged fixed assets, this list does not contain all necessary detail including the date acquired, date disposed of, and cost. Also, the WGAE still maintains outstanding checks on the bank reconciliations.

The I-CAP Team continues to advise that all internal control recommendations should be implemented to prevent the misuse of union funds and to support financial responsibility under Title II and Title V of the LMRDA.

As a result of this follow-up, OLMS considers this I-CAP audit to be concluded. If we can be of assistance in the future, please do not hesitate to contact us. Thank you again for the cooperation and courtesy extended by you and your staff during this compliance audit.

Sincerely,



James D. Devine, Division Chief
Division of International Union Audits

cc: Gail Lee, Secretary-Treasurer
Ira S. Cure, Senior Counsel