

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
San Francisco District Office
71 Stevenson Street, Suite 440
San Francisco, CA 94105
(415) 848-6567 / FAX: (415) 848-6555



December 2, 2004

Mr. Ed Pena, Secretary-Treasurer
Service Employees AFL-CIO
Local Union 24/7
2201 Broadway, Suite 101
Oakland, CA 94612

Re: 2

Dear Mr. Pena:

This office has recently completed an audit of Service Employees AFL-CIO, Local Union 24/7 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, as Amended (LMRDA). As discussed during the exit interview with you on November 23, 2004, 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.

The CAP disclosed a violation of LMRDA Section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 24/7 for fiscal year ending December 31, 2003 was deficient in the following areas:

- (1) The names of the executive board members who held office during the year were not reported on Schedule 9, All Officers and Disbursements to Officers. The names of all persons who held office during the year must be reported on this schedule regardless of whether or not they received any payments from the union.
- (2) Per diem payments made to all officers for attending bimonthly executive board meetings were not reported on Schedule 9 in Column (F), Disbursements for Official Business, as required. Such payments appear to have been erroneously reported in Schedule 13, Office and Administrative Expenses.
- (3) Mileage and transportation expenses that were directly reimbursed to officers and employees were erroneously reported in Schedule 13, under the description "Auto", but should be reported on Schedules 9 and 10 in Column (F). Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column (F) of Schedules 9 and 10, Disbursements for Official Business.
- (4) The report incorrectly labeled the employees designated to be "IUSO" as "SEIU" and vice versa.

- (5) The description "Office Expenses", entered into Schedule 13, Office and Administrative Expenses, on the 2003 LM-2 in the amount of \$82,506 is not sufficient for such a large amount. The union's CPA, _____, confirmed that "Office Expenses" is a catch-all category for all office and administrative expenses that do not belong in the other entries on Schedule 13. This entry should be broken out into more detailed categories, similar to the other more descriptive entries on Schedule 13. *
- (6) Although relatively small in amount, the description "Outside Services", entered into Schedule 13, Office and Administrative Expenses in the amount of \$3,342 is too vague and does not sufficiently describe the purpose for these disbursements.

As Local 24/7 already filed an amended 2003 LM-2 report to consolidate the IUSO and SEIU Local 24/7 reports initially submitted for 2003 and the deficiencies discussed above were not highly significant, I am not requiring another amended report be filed for 2003. However, as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Although the audit covered fiscal year ending December 31, 2003, it revealed that Form LM-2 filed by Local 24/7 for the prior year, fiscal year ending December 31, 2002, was filed on behalf of IUSO only, and did not include SEIU Local 24/7. SEIU Local 24/7 submitted a separate Form LM-3 for fiscal year ending December 31, 2002, but it was missing a file number and was not accepted as a result of such deficiency. As DOL later determined IUSO and SEIU Local 24/7 to be the same entity, one consolidated LM-2 report must be submitted under the file number 000-049 for fiscal year ending December 31, 2002, as was properly filed for fiscal year ending December 31, 2003 (upon DOL's request). The electronic forms software and instructions were provided to you during the exit interview. As we agreed, a consolidated, amended IUSO/SEIU Local 24/7 LM-2 report for fiscal year ending December 31, 2002 will be submitted to this office at the above address by December 23, 2004. When you file the corrected report, please make sure to check "amended" in block 3 (a) of the form. Before mailing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

The audit also revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 24/7's officers and employees are currently bonded for \$75,000, but they must be bonded for at least \$140,000. The union should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

Lastly, LMRDA Section 201(a) requires that unions submit a copy of their current constitution and bylaws with their LM report when bylaw changes are made. As Local 24/7 amended its constitution and bylaws in 2004, please remember to file a copy of such amended constitution and bylaws with Local 24/7's LM-2 report for fiscal year ending December 31, 2004.

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call me at (415) 848-6560.

Sincerely,

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Investigator

cc: Steve McClenathan, Local 24/7 President