



October 26, 2010

Mr. Michael Scott, President
Berklee Faculty Union, AFT Local 4412
1140 Boylston Street
Boston, MA 02215

Case Number: [REDACTED]
LM Number: 530-381

Dear Mr. Scott:

This office has recently completed an audit of Berklee Faculty Union, AFT Local 4412 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 Treasurer Charles Cassara on October 25, 2010, 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 Berklee Faculty Union's records for the fiscal year ended August 31, 2009, revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Berklee Faculty Union did not retain adequate documentation for reimbursed expenses

and credit card expenses incurred by union officers and employees totaling at least \$739.09. For example, the local failed to maintain sufficient supporting documentation for \$129.86 in convention-related meal expenses charged to various hotel folios, but ultimately paid on the union's credit card. The union also failed to maintain \$200 in receipts for petty cash expenses.

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. Lack of Salary Authorization

The Berklee Faculty Union did not maintain records to verify that the salaries of the office manager and the assistant office manager reported in Schedules 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that the Berklee Faculty Union will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 the Berklee Faculty Union for the fiscal year ended August 31, 2009, was deficient in the following area:

Disbursements to Officers and Employees

Berklee Faculty Union did not report the names of some officers and the total amounts of payments to them or on their behalf in Schedule 11 (All Officers and Disbursements to Officers). Specifically, the union did not report the names of its four division representatives and six councilors and at least \$4,852.63 in disbursements to them. The union must report in Schedule 11 all persons who held office during the year, regardless of whether or not they received any payments from the union.

Additionally, Berklee Faculty Union did not include some payments to officers and employees for business dinners totaling at least \$11,665.73 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

LM-2 instructions for Schedules 11 and 12 indicate that the union must report direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business in Column F (Disbursements for Official Business). The union must also report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses that union personnel incur, for example, "expenses for officers' meals and entertainment." The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business. However, indirect disbursements for business expenses that union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business should be reported in Schedules 15 through 19, as appropriate.

Furthermore, the local reported over-reported at least \$718.20 in salary payments to Office Manager William Silvio, which were not paid by the union within the fiscal year. Instructions for Schedules 11 and 12 require unions to report all salaries and other disbursements to officers and employees during the reporting period. For all schedules that fall under Statement B of the report, such as Schedule 11, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

I am not requiring that the Berklee Faculty Union file an amended LM report for 2009 to correct the deficient items, but the union has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

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 Berklee Faculty Union's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Signing Blank Checks

During the audit, you advised that you pre-sign blank checks. Your union requires that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds, the purpose of which is to attest to the authenticity of a completed document already signed. Signing a blank check in advance does not attest to the authenticity of a completed check, and it effectively negates the purpose of the two signature requirement. OLMS recommends that Berklee Faculty Union review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Berklee Faculty Union, AFT Local 4412, 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: Mr. Charles Cassara, Treasurer