

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 2, 2009

Ms. Vonda Hardy, President
Communications Workers AFL-CIO
Local 3640
1409C Plaza West Road
Winston-Salem, NC 27103

LM File Number 541-952
Case Number: [REDACTED]

Dear Ms. Hardy:

This office has recently completed an audit of CWA Local 3640 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 Secretary Treasurer Darla Meyer, Executive Vice President Vickey Hoots, and you on July 1, 2009, 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 3640's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit/Credit Card Expenses

Local 3640 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by officers totaling at least \$13,040. For example, there were no receipts or invoices to verify the details of disbursements to Miller Hatcher for office rent, Tracy Hall for maintenance of the web page, and CWA Hospitality for conferences.

As previously 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. Lost Wages

Local 3640 did not retain adequate documentation for lost wage reimbursement payments to union officers. In most instances, the officer's name and date appear on the voucher, but the reason, hours, and hourly rate of pay is not provided. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 3640 has a detailed lost time voucher form; however, union officers were not completely filling the forms out.

3. Receipt Dates not Recorded

Entries in Local 3640s QuickBooks records reflect the date the union deposited money, but not the date money was received. 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 (Receipts and Disbursements) 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. Lack of Salary Authorization

Local 3640 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was 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. As we discussed during the exit interview, this includes additional salary benefits including Hat Tricks and profit sharing.

Based on your assurance that Local 3640 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 3640 for fiscal year ending September 30, 2008, was deficient in the following areas:

1. Additional Information

Local 3640 answered "yes" to Item 14, indicating that they had an audit or review of its books and records by an outside accountant or parent body auditor; however, they failed to indicate in Item 56 that the audit was performed by an outside accountant and provide the name of the accountant or accounting firm.

2. Disbursements to Officers

Local 3640 did not include some reimbursements to officers totaling at least \$5,725 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48, Office and Administrative Expense.

The union must report most direct disbursements to Local 3640 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 (Office and Administrative Expense).

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. 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.

Further, the local failed to report all receipts and disbursements in the cash receipts and disbursement Items on the LM-3. During the opening interview, Secretary Treasurer Darla Meyer explained that there were many miscellaneous disbursements that didn't fit any of the named disbursements Items; therefore, she did not report them. As a result the cash reconciliation was off by \$42,856. During the exit interview, I reviewed the instructions for many of the Items, including Item 43, Other Receipts and Item 54, Other Disbursements.

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. Local 3640 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year.

Local 3640 has now filed a copy of its constitution and bylaws.

Local 3640 must file an amended Form LM-3 for fiscal year ending September 30, 2008, to correct the deficient items discussed above. I provided you with instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than July 24, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

Overpayment of Salary

As I discussed during the exit interview the audit revealed recordkeeping errors that resulted in overpayment of your salary. You and Secretary Treasurer Darla Meyer completed an audit of you hourly salary, provided a copy of the audit results, and agreed to discuss a method of repayment with the executive board.

I want to extend my personal appreciation to CWA Local 3640 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,



Lead Investigator

cc: Darla Meyer, Secretary Treasurer