



February 23, 2016

Mr. Ron Schauer, President
Communication Workers Local 4670
[REDACTED]
Nekoosa, WI 54457

Case Number: 320-6006382 [REDACTED]
LM Number: 026116

Dear Mr. Schauer:

This office has recently completed an audit of Communication Workers Local 4670 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 you and Treasurer Tim Oleson on January 22, 2016, 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 4670's 2014 and 2015 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses and Payments to Third Parties

Local 4670 did not retain adequate supporting documentation for reimbursed expenses incurred by officers totaling at least \$160 in 2014 and \$860 in 2015. For example, Local 4670 did not retain adequate supporting documentation for check # [REDACTED] to Treasurer Oleson in the amount of \$726. The only documentation retained in support of this payment was an annotation in the check register of “party supplies.” Similarly, Local 4670 failed to retain adequate documentation for payments to other union members and outside vendors totaling more than \$200 in 2014 and \$1,000 in 2015. For example, adequate supporting documentation was not retained for check # [REDACTED] to American Table for a meal expense totaling \$31.51. Local 4670 retained a receipt for this meal expense, but did not document the union business conducted and the full names and titles of those present on the receipt.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements as well as additional documentation as necessary to show the nature of the union business that required the disbursement. Records of meal expenses incurred by officers must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. The president and treasurer (or corresponding principal officers), who are required to sign your union’s LM report, are responsible for properly maintaining union records.

2. Lost Wages

Local 4670 did not retain adequate documentation for lost wage reimbursement payments to officers totaling at least \$3,000 in 2014. Records must be maintained 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 audit found that the only record of lost wages maintained by Local 4670 was an annotation of “wages” in the check register for each lost wage disbursement. Local 4670 did not maintain vouchers or any other type of records that identified the dates the lost wages were incurred, the number of hours lost on each day, the hourly wage rate, or the union business purpose requiring the lost wages.

During the exit interview, I provided a sample of a lost wage/expense voucher that Local 4670 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Lack of Salary Authorization

During 2014 and 2015, Local 4670 paid annual salaries of \$865 to \$1,200 to its officers. Neither you nor Treasurer Oleson were sure when or where those salary levels were established. During the audit, Treasurer Oleson advised that there were certain salary

levels in place when he became treasurer, and it was his understanding that those salaries were to be increased based on the contractual raises members received from Solarus. Local 4670 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and were therefore correctly reported.

Local 4670 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

Based on your assurance that Local 4670 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-3 filed by Local 4670 for the fiscal year ended September 30, 2014 was deficient in that:

Disbursement to Officers

Local 4670 did not include some reimbursements to officers totaling at least \$800 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The check register maintained by Local 4670 identifies reimbursed expense payments to officers totaling almost \$1,100, but only \$278 was reported in Column E (Allowances and Other Disbursements) of Item 24. LM workpapers prepared by the union's accountant show that these payments were erroneously reported in Item 54 (Other Disbursements.)

Most direct disbursements to Local 4670 officers and some indirect disbursements made on behalf of its officers must be reported 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 for room rent only) 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).

I am not requiring that Local 4670 file an amended LM report for 2014 to correct the deficient item, but Local 4670 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

Failure to File Required Report

Local 4670 has not filed the Labor Organization Annual Report, Form LM-3, for the fiscal year ended September 30, 2015, as required by federal law. During the exit interview, Treasurer Oleson advised that previous reports have been prepared by an accountant and that the accountant is behind in preparing the 2015 report for the local. The law requires the president and treasurer or corresponding principal officers of each labor organization to file an annual financial report with the OLMS within 90 days after the end of its fiscal year, therefore Local 4670's report was due by December 29, 2015 and is now considered to be delinquent.

Please submit your union's delinquent report to this office at the above address as soon as possible but not later than March 15, 2016. If you need the necessary forms and instructions, please contact the Milwaukee Office. All Labor Organization Annual Reports may now be completed electronically using the Electronic Forms System (EFS) available on our website at <http://www.dol.gov/olms/regs/compliance/efs/efsintro.htm>. If you are unable to submit the form electronically, paper forms may be downloaded from the OLMS website, www.olms.dol.gov, must include original signatures, and should be mailed to the above address. If you submit a paper form, before mailing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Wage and Expense Policies

Local 4670 reimburses officers for wages lost at Solarus on occasions they are absent from work to conduct union business. However, the union does not have any written policies documenting the payment of lost wages to officers and employees. In addition, the audit revealed that the union also has no policies governing what types of expenses are authorized and under what circumstances those expenses are paid (e.g. meal expenses incurred while not in travel status).

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments and reimbursed expenses. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed information to support lost time and reimbursed expense payments. These practices will allow the union to properly report lost time payments and travel expense on the Labor Organization Annual Report Form LM-3.

OLMS recommends that union policies and procedures for lost wages and expenses be reduced to writing and added to your union's bylaws or discussed at an executive board

or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling payments for lost time and other expenses.

During the exit interview, I provided OLMS' compliance tips for union lost time payments and reimbursed travel expense payments for your reference.

2. Single Signature on Disbursements

The audit revealed that Treasurer Oleson is the only authorized signatory on the union's checking account. During the audit, Mr. Oleson advised that he is solely responsible for reviewing disbursements and issuing checks. However, the Local 4670 bylaws (Article XII, Section B(1) provides that the president is responsible for approving all bills to be paid. A single signature requirement on union checks is not an effective internal control of union funds as it does not attest to the authenticity of a completed check. A two signature requirement is an effective internal control of union funds as the second signature attests to the authenticity of a completed document already signed. OLMS recommends that Local 4670 review these procedures to improve internal control of union funds and consider adopting a two signature requirement on future checks.

I want to extend my personal appreciation to Communication Workers Local 4670 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. Tim Oleson, Treasurer