



August 30, 2012

Mr. Ken Cusick, President  
Communications Workers AFL-CIO, Local 7214  
315 W. 1st Street, Suite 204  
Duluth, MN 55802

Case Number: [REDACTED]  
LM Number: 024003

Dear Mr. Cusick:

This office has recently completed an audit of Communication Workers Local 7214 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, former Treasurer [REDACTED] Treasurer Joy Marks, and Vice President Andrew Marks on July 12, 2012, 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 7214's 2011 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 7214 did not maintain adequate records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the Labor Organization Annual Report (Form LM-3) were the authorized amounts and were therefore correctly reported. The

audit revealed that Local 7214 relied on the information contained in the document "General Working Rules for Local 7214" to calculate officers' salaries. The working rules identify specific amounts to be paid to officers as monthly salaries and state that the amounts are to be increased in accordance with annual contractual wage increases provided for in a union collective bargaining agreement with Century Link Company. The working rules are not dated and Local 7214 has no other records that indicate if or when the rules were approved by the membership. You advised that the document was likely approved by the membership in the late 1980's or early 1990's. Local 7214 currently pays officers salaries of between \$214.80 and \$315.99 per month, but Mr. Nilsen advised that the officers have not had a raise in over five years despite increases in contractual wages during that time. The audit revealed Local 7214 did not retain copies of contracts, workpapers, or other records that reflect how the current salary amounts paid to officers were calculated.

Local 7214 must keep records that show the current salaries authorized by the entity or individual with the authority to establish salaries.

## 2. Reimbursed Auto Expenses

Union officers who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$700 during 2011. Local 7214 requires officers to submit expense vouchers documenting their business expenses, including mileage. Vouchers were prepared for mileage reimbursements that identified the amounts claimed, the number of miles driven, and the union business purpose of each trip. However, the vouchers failed to identify the dates of travel and the locations traveled to and from.

Local 7214 must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

## 3. Meal Expenses

Former President [REDACTED] incurred meal expenses totaling more than \$550 which were documented on local expense vouchers. In most instances, Ms. [REDACTED] attached to the expense voucher itemized receipts along with written explanations of the union business conducted and the names of other persons present for the meal expense. However, she failed to submit itemized meal receipts for over \$180 of those meal expenses. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

## 4. Lost Wages

Local 7214 did not retain adequate documentation for lost wage reimbursement payments to you or Ms. [REDACTED] totaling at least \$7,000. 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 all the lost wage claims were documented in some manner on the local expense vouchers; however, the information on the vouchers lacked the identification of date the lost wages were incurred. The documentation also lacked an adequate description of the union business that was being conducted. (e.g. “member issues”)

During the exit interview, I provided a sample of an expense voucher Local 7214 may use to satisfy the recordkeeping requirements for lost wages. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

#### 5. Supporting Records for Disbursements

Local 7214 failed to retain adequate documentation to support payments totaling more than \$400 to third party vendors such as the Paper Hog and the United States Postal Service. The union either failed to retain any documentation at all for disbursements to these vendors, or the documentation retained was inadequate in that it did not identify the union business purpose of the disbursements.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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.

Based on your assurance that Local 7214 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 7214 for the fiscal year ended September 30, 2011 was deficient in the following areas:

1. 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 7214 amended its constitution and bylaws in 2002, but did not file a copy with its LM report for that year.

Local 7214 has now filed a copy of its constitution and bylaws.

2. Administration of a Trust Fund

Item 11 (Create or participate in the administration of a trust or other fund or organization, which provides benefits for members or their beneficiaries?) was erroneously answered “yes” and the additional information section (Item 56) identified that fund as the CWA Savings and Retirement Trust (SRT). [REDACTED] from the CWA SRT office confirmed that the SRT is a retirement fund that is administered by a third party. Local 7214 disburses funds to the plan on behalf of the officers; however neither Local 7214 or any of its officers participate in the administration of the fund.

3. Acquire or Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, “Yes,” because Local 7214 gave away pocket calendars valued at more than \$250 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as “members” or “new retirees.”

4. Payments to Officers/Employees (in excess of \$10,000)

Item 16 (Have any officer who was paid \$10,000 or more by your organization and also received \$10,000 or more as an officer or employee of another organization or of an employee benefit plan?) was answered “yes;” however, at the exit interview former Treasurer [REDACTED] advised that he answered “yes” to Item 16 only because former President [REDACTED] received more than \$10,000 from Local 7214. Item 16 should have been answered “no” because you and Mr. [REDACTED] stated that Ms. [REDACTED] did not receive payments from any other organization.

Similarly, Item 17 (During the reporting period did your labor organization pay any employee salary, allowances, and other expenses which, together with any payments from affiliates, totaled more than \$10,000?) was also erroneously answered “yes” and former President [REDACTED] was identified in the additional information section (Item 56) as the relevant employee. Ms. [REDACTED] was not an employee of Local 7214, rather she

was an elected officer and payments to her are reported in Item 24. The local's records did not reveal payments to any employee in excess of \$10,000 during the audit year.

5. Union Officer Elections

Local 7214 reported the date of the next regularly scheduled election of officers as November 2012 in Item 22 (What is the date of your organization's next regular election of officers?); however, during the organizational interview, you advised that Local 7214 recently held their regular scheduled election of officers in November of 2011 and the next election would be held in November of 2014 as all the officers were elected to a three year term.

6. Disbursements to Officers

Local 7214 did not include some reimbursements to former President ██████ totaling at least \$2,300 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Canceled checks and expense vouchers show Ms. ██████ was reimbursed more than \$3,300 for expenses, including mileage, meals, airfare, and parking. However, the total amount reported next to her name in Column E (Allowances and Other Disbursements) of Item 24 was only \$951. Former Treasurer ██████ confirmed that he erroneously reported the additional \$2,300 in disbursements to Ms. ██████ in the amounts reported in Items 48 (Office and Administrative) and 54 (Other Disbursements).

Most direct disbursements to Local 7214 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) 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).

In addition, Local 7214 erroneously reported benefit payments totaling more than \$2,236 made to the SRT on behalf of you, former President ██████ and former Treasurer ██████ as wages in Column D of Item 24. Both direct and indirect benefit disbursements are required to be reported in Item 50 (Benefits).

I am not requiring that Local 7214 file an amended LM report for 2011 to correct the deficient items, but Local 7214 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Communication Workers Local 7214 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. Andrew Marks, Vice President  
Ms. Joy Marks, Treasurer