

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigator Office
900 Second Avenue South, Suite 450
Minneapolis, MN 55402
(612)370-3111 Fax:(612)370-3107



May 16,2008

Mr. Chester Nettestad, President
Communication Workers of America Local 7219
513 2nd Ave SE
Pelican Rapids, MN 56572

LM File Number: 041-662
Case Number: [REDACTED]

Dear Mr. Nettestad:

This office has recently completed an audit of CWA Local 7219 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 Travis Hunter on April 25,2008, 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 7219's 2007 records revealed the following recordkeeping violations:

1. Adequate Records of Disbursements Not Retained

The audit revealed Local 7219 pays for all of its expenses by check. Treasurer Travis Hunter issues checks from a checkbook that contains carbonless copies of the checks. Union disbursements are not recorded on check stubs, on a check register, or in a disbursements journal. In addition, the audit revealed that the carbonless copies of at least two checks that cleared the union's bank were blank. For example, the date, payee, purpose, and amount were not recorded on check carbons for checks [REDACTED] and [REDACTED]. The checks cleared the bank for \$1,429.86 and \$1,213.80 respectively, but no supporting documentation was retained to explain the purpose of the checks. Copies of the checks obtained from the bank revealed the checks were issued to you. You advised that the checks were expense reimbursements for attending the National CWA Convention and a CWA District 7 meeting. During the audit, you provided records in support of both disbursements.

The Labor Organization Annual Report (Form LM-3) requires that Local 7219 report its disbursements among ten different reporting categories. Section 206 of the LMRDA requires that the union retain adequate records to support the information reported on the union's LM-3 report. Although Local 7219 retained documentation in support of most disbursements, the check carbons and additional supporting records that were maintained are not sufficient to enable OLMS to verify the amounts reported by Local 7219 on its LM-3 report filed for 2007.

In order to satisfy the requirements of Section 206, local 7219 must retain a record that identifies the date, amount, payee and purpose of each disbursement.

2. Adequate Record of Receipts Not Retained

During the audit, Treasurer Hunter advised that Local 7219's only source of receipts were dues directly deposited into the local's checking account by its parent body (which received the dues from union employers). The only record maintained in support of the dues receipts were bank statements printed from the bank's website showing the date, amount, and transaction details for each deposit. The bank statements identify the deposits with the description, in part, "CWA

LOCAL DUES." As previously mentioned, labor organizations must keep at least one record showing the date, amount, purpose, and source of money it receives. The bank statements clearly list the date, amount, and purpose of monies deposited; however, the bank statements do not specifically identify the source of the money. Local 7219 must maintain a record that clearly identifies the source of all money received.

In addition, labor organizations typically receive dues check-off reports from employers identifying the amounts withheld from each member's wages. Those records must also be retained in support of dues receipts.

3. Supporting Documentation for Reimbursed Expenses

Local 7219 did not retain adequate documentation for reimbursed expenses incurred by officers and employees. For example, union member Dave Endres received \$867.32 for attending a president's meeting in June 2007. A voucher notes that \$172.22 of this check was reimbursed hotel expenses. However, the hotel receipt was not retained.

In addition, some of the expense vouchers prepared by union personnel in support of claimed expenses were not sufficiently descriptive. For example, according to a cancelled check acquired from the bank, Vice President Jim Crawford received \$180.44 from check n u m b e r . The voucher retained in support of the check notes that Crawford received \$75.44 for "Miscellaneous" expenses and \$105 for "Salary." However, no receipts were retained in support of the miscellaneous expenses claimed.

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.

Based on your assurance that Local 7219 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 7219 for fiscal year ending September 30,2007, was deficient in the following areas:

1. Dues Receipts

Local 7219 failed to properly report dues receipts in Item 38 (Dues). According to bank statements, dues deposits totaling \$8,524.72 were made during the 2007 fiscal year. However, only \$7,748 was reported in Item 38. It appears that the amount reported did not include a deposit from October 4,2006, of \$776.53.

2. Disbursements

Local 7219 incorrectly reported total disbursements of \$7,059 in Item 55 (Total Disbursements). The audit revealed that total disbursements of \$7,845.38 cleared the union's checking account during the year. The LM-3 instructions require that disbursements be reported on the LM-3 report for the year that the money was actually paid out. In the case of Local 7219, the audit revealed that the union issued some checks in a different fiscal year than the year that the checks cleared the bank, and that the dates of some checks were not recorded on the carbonless copies of the checks.

As discussed during the exit interview, the copies of the carbonless checks retained by the union show that its total disbursements were neither the amount of checks that cleared the bank during the year nor the total amount reported in Item 55. Local 7219 must keep adequate records to enable OLMS to verify the amounts reported in the Cash Disbursements Section of the LM-3 report.

Mr. Chester Nettestad
May 16, 2008
Page 5 of 5

3. Bonding

Local 7219 incorrectly reported in Item 20 (Fidelity Bond) that the union's officers and employees were bonded for \$50,000. However, the union's surety bond issued by Eberts & Harrrison shows that the union's officersand employees are bonded for only \$5,000.

I am not requiring that Local 7219 file an amended LM report for 2007 to correct the deficient items, but Local 7219 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

During the audit, Treasurer Hunter advised that he signs blank checks. Hunter also advised that your union requires all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 7219 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to CWA Local 7219 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,

[REDACTED]
Investigator

cc: Travis Hunter, Treasurer