



March 26, 2013

Mr. John Hughes, Secretary Treasurer
IUE-CWA Local 84001
4833 Sturgeon Way
Apartment 2
Indianapolis, IN 46237

Case Number: 350-02410 [REDACTED]
LM Number: 025507

Dear Mr. Hughes:

The U.S. Department of Labor, Office of Labor-Management Standards (OLMS) recently completed an audit of IUE-CWA Local 84001 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 you and I discussed during the exit interview on March 26, 2013, the CAP disclosed the following findings. These findings might not be an exhaustive list of all possible problem areas since the audit was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes reporting and recordkeeping requirements for labor organizations. 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 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 or a related record that contains 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 84001's fiscal year (FY) 2012 records revealed the following recordkeeping violations:

1. Meal Expenses

Although Local 84001's records identified the restaurants where meals were purchased, as is required, those records did not include explanations of union business conducted or the

names and titles of the persons incurring the restaurant charges. For example, Local 84001's debit card was used to purchase \$58.02 in meals from Denny's on February 13, 2012 and \$77.84 in meals from Cracker Barrel on August 31, 2012, but no records were kept about why the meals had been purchased or who consumed them.

2. Lost Wages

Local 84001 did not retain adequate documentation for lost wage reimbursement payments totaling \$3,557.04. 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. Those standards were not met for any of Local 84001's 22 lost time payments to about a dozen different people in fiscal year 2012.

During the exit interview, I gave Local 84001 a compliance tip sheet, *Union Lost Time Payments*, which contains a sample of an expense voucher the union may use to satisfy recordkeeping requirements.

3. Disposition of Property

██████████ when she was secretary treasurer, made a \$1,480 cash withdrawal from Local 84001's bank account to purchase \$20 gift cards from Kroger for Christmas presents to union members on December 21, 2011; however, Local 84001 failed to maintain records showing to whom or how those cards were disbursed. When the cards were distributed, Local 84001 should have prepared rosters or logs identifying who received each gift card and when that would confirm the cards were given away free of charge.

A union that gives away assets must disclose those transactions in Items 13 and 56 of the Labor Organization Annual Report. Records, such as those described above, should be retained to support disclosure in Item 13.

4. Lack of Salary Authorization

Local 84001 did not maintain any record as verification that salaries which should have been disclosed in Item 24 (All Officer and Disbursements to Officers) of the FY 2012 Form LM-3 were paid in the authorized amount. The union must keep a record – such as bylaws, resolutions or meeting minutes – showing current authorized compensation for officers and employees. Any intentional excess payments must be disclosed as a loss or shortage of funds on the Labor Organization Annual Report.

5. Other Payables

Local 84001 did not maintain vendor receipts for all disbursements to purchase bereavement gifts and pay union hall rental. Vendor receipts and other records as needed which identify the “Five Ws” (who was paid, what was purchased, when, why and where) should be retained for all disbursements.

The proper maintenance of union records is the personal responsibility of Local 84001’s president and secretary treasurer who are required to file the union’s Form LM-3 Labor Organization Annual Report. You should be aware that, according to LMRDA Section 209(a), willful failure to maintain records can result in a fine of up to \$10,000 or imprisonment for not more than one year or both. Also, the penalties for willful destruction or falsification of records under LMRDA Section 209(c) can result in a fine of up to \$10,000 or imprisonment for up to one year or both. The penalties provided in LMRDA Section 209(c) apply to any person who caused the violations, not just the individuals who are responsible for filing the union’s LM report.

You have promised to improve Local 84001’s recordkeeping practices so they will conform to legal requirements. Based on such future compliance, OLMS will take no further action at this time regarding the recordkeeping violations committed in fiscal year 2012.

Reporting Violations

The CAP 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 84001 for the fiscal year ended September 30, 2012, was deficient as follows:

1. Acquire/ Dispose of Property

Item 13 should have been answered “Yes” because Local 84001 gave away \$20 Kroger gift cards worth a total of \$1,480 in December 2011 to union members. A union filing a Form LM-3 must also identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as “members” or “families of deceased members.”

2. Disbursements to Officers

Local 84001 did not disclose any disbursements to officers totaling at least \$11,187.86 in Item 24 (All Officers and Disbursements to Officers) and Item 45 (To Officers). Instead, Local 84001 reported all fiscal year 2012 disbursements in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 84001’s 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 a union check to an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

3. Disbursements to Employees and for Office/ Administrative Expenses and Contributions/ Gifts/ Grants

Local 84001 did not disclose in Items 46, 48 or 51 transactions that constituted payments to employees or for office and administrative expenses and contributions, gifts and grants. Instead, all disbursements were disclosed in Item 54 (Other Disbursements).

4. Cash Reconciliation

Local 84001’s fiscal year 2012 Form LM-3 was out of balance by more than \$19,000.

Beginning Cash (Item 25A)	-	\$618
Plus Total Receipts (Item 44)	\$14,534	
Less Total Disbursements	<u>\$24,436</u>	
Ending Cash per Reconciliation		-\$10,520
Ending Cash per Item 25B		<u>\$9,284</u>
Difference		-\$19,804

Local 84001 must file an amended Form LM-3 for the fiscal year ended September 30, 2012 to correct the deficient items discussed above. I have given you a blank form and instructions to use in amending Local 84001’s fiscal year 2012 Form LM-3, but you can also complete, sign and file the amended report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can also be downloaded from the website for computer printing, if you prefer not to file electronically and need additional copies. The amended Form LM-3 should be filed no later than April 22, 2013. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures by you and Local 84001’s president.

Other Findings

1. Danny Woolbright received an extra \$150 paycheck in fiscal year 2012. There is no evidence the extra paycheck was intentional but appears to have been a bookkeeping error. Mr. Woolbright can repay Local 84001 from his own funds or forego a future month’s salary to resolve the matter. You should consult with Local 84001’s executive board about the union’s preferred method, and record the decision in meeting minutes.

2. You received an extra \$150 paycheck in fiscal year 2012. As with Mr. Woolbright, there is no evidence the extra paycheck was intentional but appears to have been a bookkeeping error. Like Mr. Woolbright, you can repay Local 84001 from your own funds or forego a future month's salary to resolve the matter. You should consult with Local 84001's executive board about the union's preferred method, and record the decision in meeting minutes.
3. Local 84001 has not been withholding federal and other payroll taxes from salaries as could be required by law. I recommend you consult with your union's parent body or a tax expert to determine Local 84001's potential tax liabilities.

Thank you for the cooperation and courtesy extended by Local 84001 during the CAP. Please share this letter and the compliance assistance materials I gave you with other officers and maintain them for those who will serve as future officers. If OLMS can provide future assistance, please call me at (317) 535-3034 or the Cincinnati District Office at (513) 684-6840.

Sincerely,



Senior Investigator