



March 2, 2015

Ms. Lynn Grim, Financial Secretary-Treasurer
Office & Professional Employees Local 1794
20525 Center Ridge Road, Suite 370
Rocky River, OH 44116

Case Number: 350-6003064
LM Number: 513-686

Dear Ms. Kline:

This office has recently completed an audit of Office & Professional Employees Local 1794 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 Candylee Scigliano on February 18, 2015, 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 1794's 2013 records revealed the following recordkeeping violations:

Credit Card and Reimbursed Expenses

Local 1794 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$1,278.85. For example, no supporting documentation was included in the union records for credit card purchases for pre-paid postage

envelopes, McAfee virus software, and a Sheraton hotel expense for a convention in Columbus, OH. In addition, an expense reimbursement request by former President [REDACTED] for airfare and baggage fees to San Diego, CA for the convention did not include documentation for the purchases. A flight confirmation page was printed from the airline website and maintained for tickets purchased for former Financial Secretary-Treasurer Candylee Scigliano to San Diego, CA; however, the actual airline boarding passes and baggage fee receipts should be maintained as documentation for union business travel.

As 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 1794 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 LM-3 filed by OPEIU Local 1794 for the fiscal year ended December 31, 2013, was deficient in the following areas:

1. Health Benefit Fund

Item 11 - During the reporting period did your organization create or participate in the administration of a trust or other fund or organization, as defined in the instructions, which provides benefits for members or their beneficiaries?) was incorrectly answered, "No." Local 1794 had its own health benefits fund during 2013. As stated in the LM-3 report instructions, answer Item 11 "Yes" if your labor organization created or participated in the administration of a "trust in which a labor organization is interested" which is defined in section 3(I) of the LMRDA as "a trust or other fund or organization (1) which was created or established by a labor organization, or one or more of the trustees or one or more members of the governing body of which is selected or appointed by a labor organization, and (2) a primary purpose of which is to provide benefits for the members of such labor organization or their beneficiaries."

The audit revealed that Local 1794's Health Benefit funds were deposited to a separate treasury account and disbursed to health care providers each month when premiums were due on behalf of its members. While Item 11 was incorrectly answered no, the local has properly included the health benefits fund with their LM report.

2. Disbursements to Officers

Local 1794 failed to properly record the officers' monthly salaries correctly in Item 24, Column D – Gross Salary (before taxes and other deductions) totaling at least \$7,000.00. The officers' salaries were incorrectly recorded in Item 24, Column E – Allowances and Other Disbursements.

The Form LM-3 instructions for Item 24 – All Officers and Disbursements to Officers state “Column (D): Enter the gross salary of each officer (before tax withholdings and other payroll deductions). Include disbursements for “lost time” or time devoted to union activities.” Additionally, the instructions state “Column (E): Enter the total of all other direct and indirect disbursements to each officer other than salary.”

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 1794'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.

The audit revealed that the ending cash reported in Item 25, Column B is over reported by \$4,714.00 and the total disbursements calculated in Item 55 were underreported by \$112.00.

Under Statement B of the instructions, receipts and disbursements must be recorded when money is actually received and when actually paid out by the organization.

Local 1794 must file an amended Form LM-3 for the year ended December 31, 2013, to correct the deficient items discussed above. I encourage Local 1794 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than March 20, 2015 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issues

1. Disbursement Approval Signatures and Dates

As I discussed during the exit interview with Ms. Scigliano, the audit revealed that on at least nine occasions, disbursements approval vouchers did not include the second signature of the local's recording secretary. In addition, many of the vouchers did not include the date the voucher was signed by the recording secretary. The two officer signature requirement is an effective internal control of union's disbursements because its purpose is

to attest to the authenticity of a completed document. OLMS recommends that Local 1794 review these procedures to improve internal control of the union disbursements.

2. Update Account Signature Cards

The audit disclosed that past officers were still listed as a signatory's for the two savings accounts with Charter One Bank. OLMS recommends in the future when there are changes to the officer positions, please be sure to update the union's bank account signature cards as quickly as possible. We also recommend there be two signatures required on every union check written. The two signature requirement is an effective internal control of union funds.

I want to extend my personal appreciation to Office & Professional Employees Local 1794 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: Lynn Grim, Financial Secretary-Treasurer