

U.S. Department of Labor

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Office of Labor-Management Standards
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December 4, 2008

Mr. Robin Schuler, Trustee
Service Employees International Union
Local 3
1368 E. 34th Street
Cleveland, OH 44114

LM File Number 542-766
Case Number: [REDACTED]

Dear Mr. Schuler:

This office has recently completed an audit of SEIU Local 3 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 Tom Caplice, Partner, Bansley & Kiener LLP on October 23, 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.

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 3's 2006 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 3 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 3 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 (Form LM-2) filed by Local 3 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Sale of Investments and Fixed Assets

The union did not record the gross sales price (\$450,000) of the property it sold during the fiscal year in Schedule 3 (Sale of Investments and Fixed Assets). Instead, Local 3 recorded the net sales price (\$435,655) of the property following all fees being applied.

The union must report in Column D of Schedule 3 the gross sales price rather than the net sales price of any investments or fixed assets sold. The net amount received from the sale of the property should be placed in Column E of Schedule 3.

2. Disbursements to Officers and Employees

Local 3 did not include some reimbursements to employees / payments to employees totaling at least \$67,458 in Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19. In particular, Local 3 listed six individuals as "Lost Timers" rather than as employees.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. 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 3 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

Local 3 has now filed a copy of its constitution and bylaws.

Local 3 must file an amended Form LM-2 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than December 26, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violations

The audit disclosed the following other violations:

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 3's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

During the audit, Sandy Hickman, Local 3 Administrative Assistant, advised that it is Local 3's practice for her to sign all union checks and to stamp the signatures of President Peter Hanrahan and Secretary-Treasurer Faith Culbreath on union checks. Hickman indicated that no one but her reviews the checks before they are issued. Article 8 of Local 3's bylaws requires that checks be signed by the president and secretary-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, the use of a signature stamp for both signers does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 3 review these procedures to improve internal control of union funds.

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I want to extend my personal appreciation to SEIU Local 3 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: Kenneth Munz, Trustee