

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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January 3, 2007

Mr. Sheldon Wise, Treasurer
Communication Workers AFL-CIO
Local 86004
P.O. Box 126
Arkansas City, Kansas 67005

Re: Case Number: [REDACTED]

Dear Mr. Wise:

This office has recently completed an audit of CWA Local 86004 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, [REDACTED] on November 15, 2006, 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 adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 86004's 2006 records revealed the following recordkeeping violations:

- A receipt for a purchase from Staples was not maintained in union records. Although union officers identified the charge as a purchase for an office printer, a receipt must be maintained to adequately explain the purchase.
- Lost time records, although maintained, did not include the proper detail to adequately explain the purpose of the lost time. A simple handwritten note or other documentation would be sufficient if the purpose for the lost time is identified. Even though union officers can explain the purpose of certain instances of lost time, some sort of documentation is required to be kept.
- No inventory of union hats and other merchandise was maintained. This is required to properly track the distribution of union assets. Union records should identify the number of items purchased for inventory and then track every sale or giveaway while also keeping a running inventory.

As agreed, provided that Local 86004 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these 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-2 filed by Local 86004 for fiscal year ending July 31, 2006, was deficient in the following areas:

- Personal, non-business related expenses paid by Local 86004 that were not necessary for conducting union business were not reported in Column G of Schedule 11. Personal credit card charges by President Dale Luce were improperly "netted" along with the officer's reimbursement excluding both transactions from the LM report. The personal charges should have been reported in Column G of Schedule 11 under Luce's name while the reimbursement should have been reported as an other receipt.

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- The local also improperly reported the receipt of union dues and the disbursement of per capita tax to the Communications Workers International Union. Locals are instructed in the LM-2 instructions (Page 16, Item 39) to only report that portion of dues which is directly received. In this case, Communications Workers International Union receives all dues of the local directly from the employer. The Communications Workers International Union then deducts their portion for per capita tax and other charges. A portion is then deposited electronically to the local's account. It is this amount which should be reported on the LM report. Amounts that the Communications Workers International Union deducted should not be reported as per capita tax.

Amounts that the local's employer deducts from the union dues for lost time payments to officers should still be reported by the local on their LM-2 report with an explanation in Item 56 for additional information.

At this time no amended report will be required from the local, but these reporting errors must be corrected on future LM reports. The change in reportable receipts would lower the local's reporting requirements to that of an LM-3 report versus an LM-2. I have spoken to your accountant and explained the errors. He agreed to properly report these items on future reports.

I want to extend my personal appreciation to CWA Local 86004 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: Phil Bryant & Dale Luce