

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Buffalo District Office
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September 18, 2006

Mr. David Armer, President
CWA Local 81408
210 Hoesville Road
Broadalbin, NY 12025

Re: Case No. [REDACTED]

Dear Mr. Armer:

This office has recently completed an audit of CWA Local 81408 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 Vice President Mary Dado on September 12, 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. The CAP disclosed the following:

Recordkeeping Violations:

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.

- Local 81408 failed to record some dividends earned on investments in union receipts journals. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was

received, the identity of the source of the money, and the individual amount received from each source.

- Union officers failed to maintain adequate documentation for expenses charged to union credit cards and for donations, printing, copies, etc. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.
- Local 81408 failed to maintain an inventory of fixed assets. Records must be maintained that account for all union property.

As agreed, provided that Local 81408 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

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 CAP 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 constitution or bylaw changes are made. Local 81408 amended its constitution and bylaws in 2005; but a copy was not filed with its LM report for that year.

A copy of Local 81408's constitution and bylaws has now been filed. The local is currently working on further amendments and will file the amended constitution with the 2006 LM-3.

Other Violations

- 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 handled by those individuals or their predecessors during the preceding fiscal year. Local 81408's officers and employees are not currently bonded. They must be bonded for at least \$60,000.

Local 81408 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than October 12, 2006.

Other Issues:

- During the audit, you advised that it was Local 81408's practice for [REDACTED] to sign all union checks and to stamp the signature of [REDACTED] on union checks. The second 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 by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. I recommend that Local 81408 review these procedures to improve internal control of union funds.
- Title V, Sec. 501 (a) of the Labor Management Reporting and Disclosure act outlines the *Fiduciary Responsibility of Officers of Labor Organizations*. The act specifically states that fiduciary responsibility is the duty of each person (*all* officers, agents, shop stewards, and other representatives of the labor organization). All members of the executive board are responsible for the fiscal operations of Local 81408. As discussed during the opening interview it is essential for the local to have a system of checks and balances, which prevent one individual from having complete autonomous control over local finances. The current board members were encouraged to take an active roll in reviewing disbursements, including credit card statements for any local credit cards.

I want to extend my personal appreciation to you and Mrs. Dado 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:

Vice President Mary Dado