



March 29, 2016

Mr. Shane Hardee, President
Communication Workers of America, AFL-CIO
Local 7212
1511 Northern Pacific Rd
Suite 208
Brainerd, MN 56401

Case Number: 320-6006816
LM Number: 015737

Dear Mr. Hardee:

This office has recently completed an audit of Communication Workers of America (CWA) Local 7212 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 on March 23, 2016, 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 7212's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 7212 did not retain adequate documentation for disbursements to union members totaling at least \$526.60. For example, adequate supporting documentation was not retained for a \$294.40 reimbursement to member [REDACTED] on March 3, 2015, for the purpose of "Gift for Bargaining Committee." In support of this expense, Local 7212 only retained a voucher, which is not sufficient. No receipts were retained for this reimbursement. During the exit interview, you stated that you did not know what this reimbursement was for.

Local 7212 did not retain adequate documentation for credit card expenses incurred by you, Treasurer Brad Patron, and Vice President Boni Fixell totaling at least \$763.34. For example, supporting documentation was not retained for a \$20.12 charge made by you at Verizon Wireless on October 20, 2014. In support of this expense, the only supporting documentation retained by Local 7212 was the credit card statement, which is not sufficient.

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.

2. Meal Expenses

Local 7212 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$238.62. For example, you charged a \$73.19 meal expense to your union credit card at the Boulder Tap House on March 1, 2015, for a meeting with the bargaining committee. In support of this expense, you only kept the credit card signature receipt, which is not sufficient. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Based on your assurance that Local 7212 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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-3) filed by Local 7212 for the fiscal year ended September 30, 2015, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 7212 did not include some reimbursements to officers totaling at least \$1,148 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, the local's credit card statements show that you charged meal expenses to the union credit card totaling at least \$178.94; however, the union reported no direct or indirect disbursements for you in Column E (Allowances and Other Disbursements) of Item 24. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 7212 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 for room rent only) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Cash at the Beginning and End of the Year

The audit revealed that Local 7212's book balance, as reconciled to the bank statements, for all the union's cash accounts totaled \$23,804 at the beginning of the year and \$24,276 at the end of the year; however, Local 7212 reported \$21,724 in Item 25(A) (Cash at Start of Reporting Period) and \$21,513 in Item 25(B) (Cash at End of Reporting Period). During the exit interview, you advised that you knew about the discrepancy with the cash balances reported on the Form LM-3 for the beginning and the end of the year, but you were unable to explain the cause of the discrepancy.

The LM-3 instructions for Item 25 state that all of your organization's cash on hand and on deposit at the start and end of the reporting period must be reported in Item 25(A) and Item 25(B), respectively. Cash on hand includes un-deposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also to be included is any interest credited to your organization's accounts during the reporting period. The union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Withholding Taxes

Local 7212 failed to report \$3,186 in withholding taxes in Item 54 (Other Disbursements). Disbursements for these taxes appear to have been erroneously reported in Item 48. The Form LM-3 instructions require that you report in Item 54 all disbursements not reportable in Items 45 through 53, including disbursements for the transmittal of taxes withheld from the salaries of officers and employees.

4. Other Receipts

The audit revealed that Local 7212 received more than \$457.77 in receipts from miscellaneous sources, such as you and CWA; however, Local 7212 reported \$0 in Item 43 (Other Receipts). It appears that Local 7212 misreported these receipts as dues income in Item 38 (Dues). Local 7212 must properly report all receipts in Items 38-43 on Statement B (Receipts and Disbursements) of the Form LM-3. In the case of receipts that do not conform to one of the defined items in Statement B, it must be included in Item 43.

I am not requiring that Local 7212 file an amended LM report for 2015 to correct the deficient items, but Local 7212 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Personal use of Credit Cards

The audit revealed that between April and August 2015 you charged \$26.73 in personal expenses to the union credit card. You repaid this amount to the union in October 2015 after you learned that your personal charges were made to the union credit card. During the exit interview, you stated that you inadvertently charged these expenses to the union credit card because the union credit card was linked to your personal iTunes account for your iPhone. The union credit card was added to your personal iTunes account because you used the same personal e-mail address to set up both your personal iPhone and union iPhone. You also stated that you have already removed the union credit card number from your personal iTunes account for your iPhone. OLMS does not recommend officers make personal charges to union credit cards as this may lead to misuse of union funds.

In addition, since these personal charges are considered indirect disbursements for reporting purposes and must be included in the amount reported next to your name in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements) on the union's Form LM-3 for fiscal year ended (FYE) September 30, 2015. The repayments made by you to Local 7212 in October 2015 must be reported in Item 43 (Other Receipts) for FYE September 30, 2016. OLMS recommends that Local 7212 review its disbursements policies and expense review procedures to improve control of union funds.

2. Inaccurate Book Balance

Local 7212's general ledger book balances for the union's checking account for October 1, 2014 and September 30, 2015 did not reconcile to the union's bank statements. As mentioned above, the audit revealed that Local 7212's actual book balance, as reconciled to the bank statements, was \$23,804 at the beginning of the year and \$24,276 at the end of the year; however, the book balance recorded in Local 7212's general ledger was \$25,177 for the beginning of the year and \$25,931 at the end of the year. The audit determined that the discrepancy with the union's book balance began sometime before October 1, 2013; however, the audit was unable to determine the exact reason for the discrepancy.

As noted above, the union should obtain account balances from its books as reconciled to the balances shown on bank statements; therefore, OLMS recommends that unions reconcile the balances in their books with the balances shown on bank statements on a monthly basis in order to avoid the filing of deficient reports with OLMS. Adequate records must be maintained so that information reported on the Form LM-3 may be verified, explained, or clarified, and checked for accuracy and completeness.

I want to extend my personal appreciation to CWA Local 7212 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: Ms. Patty Ford, Treasurer