



November 10, 2005

Charles Masilonis  
IUE-CWA  
Local 84707  
18975 Villaview Road  
Cleveland, OH 44119-3053

Re: 2

Dear Mr. Masilonis,

This office has recently completed an audit of Communications Workers of America Local 84707 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, as amended (LMRDA). As discussed during the exit interview with you on October 6, 2005, 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.

### Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, 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 recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 84707's records:

Union officers and employees failed to retain adequate documentation for reimbursed expenses, and for expenses charged to union credit cards. 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 paid for by the union and the locations (names of restaurant) where meal expenses were incurred must also be recorded.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of

original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a 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 84707 failed to retain in its records the account statements for its General Electric stock. Records must be maintained for at least five years by which all account balances can be verified, explained, and clarified.

As agreed, provided that Local 84707 maintains adequate minutes and documentation for its disbursements 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), because the Labor Organization Annual Report (Form LM-3) filed by Local 84707 for fiscal year ending September 30, 2004 was deficient in the following areas:

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in Item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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) 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 Expenses). Your local reported approximately \$238.00 too much in total disbursements to officers under Item 24. Of the excess disbursements to officers, approximately \$1439.00 was improperly calculated as allowances and expenses for the individual officers, rather than as salary.

Item 46 (Cash Disbursements to Employees) indicates payments of \$1264.00 to employees, but you indicated that the local has no employees. If the payment is a reimbursement for legal fees incurred through the local's use of a CWA International Union employee, as indicated by Financial Secretary Lardin, it should be reported in Item 54, Other Disbursements. It would not be reported in Item 49, Professional Fees, as the local did not make payment directly to an outside professional for services.

It was necessary for Local 84707 to file an amended LM-3 report for 2004 to correct the deficient items discussed above. One copy of the amended report should have been submitted to this office at the above address. Before mailing, the report should have been reviewed thoroughly to be sure that it is complete, accurate, and signed properly with original signatures. Your amended report for 2004 was received in this office on November 7, 2005, and this violation has thereby been resolved.

### Other Issues

During the audit, you advised that Local 84707 occasionally uses a signature stamp on checks it writes for monthly bills and recurring expenses. You stated at the opening interview that checks are to be signed by the president and financial secretary, and, on some occasions, by the president and treasurer. 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 of only one signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. You may want to revise this aspect of your check disbursement procedures.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to your, Mr. Lardin's, and Mr. Lesniok's successors at whatever time you may leave office.

I want to extend my personal appreciation for your, Mr. Lardin's, and Mr. Lesniok's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

FCCJ

Investigator

cc: James N. Lardin, Financial Secretary  
Joseph R. Lesniok, Treasurer