

U.S. Department of Labor

Employment Standards Administration
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May 19, 2009

Ms. Karen Gill, President
Teachers AFL-CIO Local Union 4940
5 Landis Drive
Warwick, RI 02818

LM File Number: 540-719
Case Number: [REDACTED]

Dear Ms. Gill:

This office has recently completed an audit of Teachers Local 4940 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 Sharon Gray on May 15, 2009, 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 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 4940's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 4940 did not retain adequate documentation for reimbursed expenses incurred by Representative Maureen Dowdel and President Karen Gill. For example, check # [REDACTED] dated 03/21/09 paid to Representative Dowdel in the amount of \$800.00 lacked sufficient supporting documentation. Check # [REDACTED] dated 02/01/07 paid to President Gill in the amount of \$218.07 also lacked adequate supporting documentation for \$118.07 of the reimbursed amount.

2. Receipt Dates not Recorded

Entries in Local 4940 receipts journal reflect the date the union deposited money, but not the date money was received. An example of the failure to report the date money was actually received by the union is found in the recording of a deposit of \$807.00 derived from a union fundraiser. This receipt was entered in the union's cash receipts journal on 02/12/07, the same day the money was deposited in the union's bank. The union's receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B on the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

As previously 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.

Based on your assurance that Local 4940 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

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 4940 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year.

Local 4940 has now filed a copy of its constitution and bylaws.

Other Issues:

1. Duplicate Receipts

Local 4940 receives money directly from members in certain instances such as through fundraising events. OLMS recommends that Local 4940 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Signing Blank Checks

During the audit, you advised that President Gill occasionally signs blank checks. Your union's bylaws require that all checks be signed by the president and 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, signing a blank check in advance does not attest to the

authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 4940 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Local 4940 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,

Mark Letizi,
District Director

cc: Sharon Gray