

**U.S. Department of Labor**

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January 31, 2008

Mr. Harold Rehm, President  
Communication Workers AFL-CIO  
Local 14148  
3630 Walden Avenue  
Lancaster, NY 14086-1710

LM File Number 018-353  
Case Number: [REDACTED]

Dear Mr. Rehm:

This office has recently completed an audit of CWA Local 14148 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 January 28, 2008, 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 14148's 2007 records revealed the following recordkeeping violations:

1. Lost Wages

Local 14148 did not retain adequate documentation for lost wage reimbursement payments to yourself and Vice President Philip Gardner on at least 52 occasions. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 14148, maintains a payroll book, which only reflects the date and gross wages.

During the exit interview, I explained that an expense voucher may be used to satisfy this requirement. The voucher should be designed to include the details surrounding each lost time incident as outlined above.

2. Receipt Dates not Recorded

Entries in Local 14148's Retiree Insurance Fund check register reflect the date the union deposited money, but not the date money was received. Union 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 (Receipts and Disbursements) of 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.

The receipt records should contain the amount, source, and purpose of each receipt. The Retiree Insurance Fund check register does not contain complete information for each receipt.

Based on your assurance that Local 14148 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 LM-3 filed by Local 14148 for fiscal year ending September 30, 2007, was deficient in the following areas:

1. Late Filing

Form LM-3 must be filed within 90 days after the end of your organization's fiscal year. The law does not authorize the extension of time for filing reports for any reasons. Your 2007 LM-3 was not signed until December 31, 2007. It was received in our office on January 7, 2008.

2. Disbursements to Officers

Local 14148 did not include some reimbursements to officers totaling at least \$1,100 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48, Office & Administrative Expense.

The union must report most direct disbursements to Local 14148 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) 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).

3. Certificate of Deposit and Retiree Insurance Fund Reported As Other Assets

Local 14148 improperly included the value of the Chapel CD and the Retiree Insurance Fund checking account as other assets in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers certificates of deposit and checking accounts to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

Local 14148 improperly reported the value of the taxable bonds in Items 25(a) and 25(B). Taxable bonds increase and decrease in value throughout the year. Reporting them as cash without showing a corresponding receipt and disbursement can affect the cash reconciliation; therefore, taxable bonds should be reported in Item 28, Investments.

Local 14148's start of reporting period 25(A) and end of reporting period 25(B) totals do not match the reconciled balances per the local union books. Please verify and reconcile all balances before filing your report.

#### 4. Unreported Receipts and Disbursements

Local 14148 failed to report receipts from retirees for health insurance premiums into the Retiree Insurance Fund checking account of at least \$48,000 in Item 43, Other Receipts. The local also failed to report the disbursements to Blue Cross from this fund in Item 50, Benefits. Additionally, the local failed to report a \$3,000 loan to the Buffalo News Chapel fund in item 53, Loans Made.

Under statement B, receipts must be recorded when money is actually received by the labor organization. The purpose of schedule B is to report the flow of cash in and out of your organization during the reporting period. Since statement B reports all cash flowing in and out of your organization, "netting" is not permitted.

During the closing interview you disclosed that CWA Local 14146-511 in Batavia, NY was merged with Local 14148 in October 2006. The assets, receipts, and disbursements of this local were not included in fiscal year ending September 30, 2007's LM-3. As we discussed, you just picked up the records of this local within the last week. You will adjust your LM-3 report to include this information.

Local 14148 must file an amended Form LM-3 for fiscal year ending September 30, 2007, to correct the deficient items discussed above. Attached is a blank form and

instructions. Additional reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than February 28, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

### Other Violations

#### Inadequate Bonding

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 those individuals or their predecessors handled during the preceding fiscal year.

Local 14148's officers and employees are currently bonded for \$45,000 but they must be bonded for at least \$61,000. Local 14148 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than February 28, 2008.

### Other Issues

#### 1. Receipts

Many Members of Local 14148 pay dues directly to their union steward. These stewards provide a monthly report of dues collected to the union, but they do not issue receipts to dues payers. OLMS recommends that Local 14148 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. Constitution and Bylaws

During the audit, you disclosed that you did not ask the membership for authorization for the \$3,000 loan to the Buffalo News Chapel for retirement gifts. Article X, Section 9 of your constitution and bylaws, requires a resolution from the

membership for disbursements of more than \$400, with notice of the proposed use of such funds posted in all organized chapels within 20 days of said meeting.

3. Multiple Accounts

A review of your records revealed that you have two checking accounts, multiple certificates of deposit, and various AG Edwards investments. You expressed frustration at trying to reconcile all of these accounts, and admit that you only do some of the accounts once per year. You further stated that you are getting ready to train potential new officers to handle the union finances. The system you have in place is extremely complicated. As we discussed, the local finances may be easier to manage if you consolidate some of the union accounts.

4. Merged Local

The last report filed for Local 14146-511 (LM# 053-564) was for fiscal year ending May 31, 2006. You will file a terminal report for June 1, 2006 through October 31, 2006. The amended Form LM-4 should be submitted to this office at the above address as soon as possible, but not later than February 28, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to CWA Local 14148 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: Philip Gardner, Vice President  
Edward Jezioro, Recording Secretary Treasurer

Attachments