



July 20, 2010

Case Number: [REDACTED]

LM Number: 031095

Mr. Mark Gonzales, Treasurer
Communication Workers Local 7717
PO Box 3467
Boulder, CO 80307-3467

Dear Mr. Gonzales:

This office has recently completed an audit of Communication Workers Local 7717 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 President Thomas Costello on July 16, 2010, 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 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.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 7717's 2009 records revealed the following recordkeeping violations:

1. Officer and Employee Expenses

Union officers and employees failed to maintain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses that were direct-paid by the union. Local 7717 did not keep receipts or invoices for credit card

purchases. The date, amount, and business purpose of every expense must be recorded on at least one union record. The credit card statement does not provide sufficient detail of the purchases made using the credit card. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded. The union credit card was used for monthly purchases of meals for meetings. Receipts for these charges were not kept.

2. Receipts

Local 7717 failed to record some reimbursement receipts from the CWA International and some receipts from banks for interest earned. 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.

3. Other

Adequate documentation was not retained for some purchases of office supplies. Local 7717 used the union credit card to purchase office supplies and did not keep the detailed receipts or invoices from the vendors. Local 7717 did not maintain copies of cancelled checks. The Local 7717 bank did not allow access to copies of cancelled checks after 90 days, and the local did not keep either electronic or paper copies of its cancelled checks.

I strongly urge Local 7717 to adopt clear guidelines regarding what types of expenses personnel may charge with union credit cards and what types of out-of-pocket expenses personnel may be reimbursed. Our office is readily available to provide guidance to you regarding the requirements of the law as they would pertain to any policies your union might adopt. If written guidelines are adopted in the near future, I would appreciate it if you would provide a copy to this office.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 7717's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can also result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person, not just the individuals who are responsible for filing the union's LM report.

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 Labor Organization Annual Report (Form LM-3) filed by Local 7717 for fiscal year ending September 30, 2009, was deficient in the following areas:

1. LM-3 Item 24 (All Officers and Disbursements to Officers)

Local 7717 failed to include some reimbursements to officers and employees in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 54 (Other Disbursements).

All direct disbursements to Local 7717 officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment 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 Expense).

2. Failure to File Bylaws

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 7717 amended its constitution and bylaws in 2005, but a copy was not filed with its LM report for that year.

A copy of Local 7717's constitution and bylaws has now been filed.

I am not requiring that Local 7717 file an amended LM report for 2009 to correct the deficient items, but as agreed, Local 7717 will properly report the deficient items on all future reports filed with this agency.

Other Issues

The audit disclosed the following other issue:

Countersignature (Signing Blank Checks)

During the audit, you advised that Thomas Costello and you sometimes sign blank checks in advance of writing the checks. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of

union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that Local 7717 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Communication Workers Local 7717 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,

A solid black rectangular box redacting the signature of the sender.

Supervisory Investigator

cc: Mr. Thomas Costello, President