

U.S. Department of Labor

Office of Labor-Management Standards

Washington District Office

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Washington, DC 20002-4244

(202) 513-7300 Fax: (202) 513-7301

January 29, 2015

Mr. Robert Council, President

Communications Workers of America

Local 2275

Franklin, VA

Case Number: 450-4512992()

LM Number: 513557

Dear Mr. Council:

This office has recently completed an audit of Communications Workers of America Local 2275 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). 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 2275's fiscal year ending September 30, 2012 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 2275 did not retain adequate documentation for some reimbursed expenses and credit card expenses incurred by union officers. For example, there were no receipts for charges for hotels, parking, gas, flowers, and rental cars, among other things. In addition, Local 2275 records did not always include a written explanation of the union business conducted.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Union records must also include a written explanation of the union business conducted. 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 2275 officers did not always submit itemized receipts for meal expenses. 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.

In addition, Local 2275 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Lost Wages

Local 2275 did not retain adequate documentation for lost wage reimbursement payments to several union officers. 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 2275 records did not include the specific date lost wages were incurred, the number of hours lost on each date, or a description of the union business conducted.

4. Failure to Retain Records

Local 2275 failed to maintain several deposit slips from deposits made into the union's account and an invoice from the accounting firm used by the union. All union records must be maintained.

Since Local 2275 merged into Communications Workers of America Local 2201, 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 2275 for the fiscal year ended September 30, 2012 was deficient in the following areas:

1. Disbursements to Officers

Local 2275 did not properly report the lost time payments to some officers in Column D (Gross Salary) of Item 24 (All Officers and Disbursements to Officers). For example, the union reported the wrong amounts in Column D as follows:

- The union reported in Column D that Local 2275 President Council received \$6,223 in gross salary in the fiscal year. The audit revealed that Council actually received \$3,689 in gross salary during the fiscal year. The remainder of the money that the union reported in Column D was for disbursements for official business, which should have been reported in Column (E) (Allowances and Other Disbursements) in Item 24.
- The union reported in Column D that Local 2275 Secretary-Treasurer Betty Jarboe received \$13,105 in gross salary in the fiscal year. However, the audit revealed that Jarboe actually received \$28,170 in gross salary during the fiscal year.
- The union reported in Column D that , who was Local 2275 secretary-treasurer at the beginning of the fiscal year, did not receive any gross salary in the fiscal year. However, the audit revealed that actually received \$6,960 in gross salary during the fiscal year.

The union must report most direct disbursements to Local 2275 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).

2. Total Receipts and Disbursements Incorrectly Reported

The total receipts and total disbursements figures reported on the union's LM-3 report for fiscal year ending September 30, 2012 do not match the figures calculated by OLMS during the audit. The union reported total receipts of \$116,795 and total disbursements of \$92,937 for the fiscal year. The actual amount of money received by the union during the fiscal year was \$152,796 and the amount of money disbursed was \$142,013. Unions must report all money received by the union in the fiscal year in Items 38 through 43 and all money disbursed by the union in the fiscal year in Items 45 through 54 of Statement B.

3. Beginning and Ending Cash Incorrectly Reported

The beginning and ending cash figures reported in Item 25 on the union's LM-3 report for fiscal year ending September 30, 2012 do not match the figures calculated by OLMS during the audit. The union reported that its cash at the beginning of the fiscal year was \$27,919 and its cash at the end of the fiscal year was \$51,777. The amount of cash that Local 2275 actually had at the beginning of the fiscal year was \$55,715 and the amount of cash that Local 2275 actually had at the end of the fiscal year was \$64,762. Unions must accurately report the amount of its cash at the beginning and end of the fiscal year in Item 25 of the LM-3 report.

Since Local 2275 has merged into Communications Workers of America Local 2201, no further action will be taken regarding these reporting violations.

Other Issues

Personal Expenses

The audit revealed that Secretary-Treasurer made numerous personal charges on her union credit card and the union paid the credit card bill for these purchases. Secretary-Treasurer also wrote two union checks to pay a non-union credit card. Union funds should only be disbursed for legitimate union expenses. Since is deceased, no further action will be taken regarding this matter.

I want to extend my personal appreciation to Communications Workers of America Local 2275 for the cooperation and courtesy extended during this compliance audit. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

District Director

cc: Betty Jarboe, Secretary-Treasurer

Robert Johnson, Local 2201 Secretary-Treasurer



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
Exempt Organizations Examinations
1100 Commerce Street MS 4900 DAL
Dallas, TX 75242-1100

Date: APR 17 2017
Taxpayer Identification Number:
[REDACTED]
Form:
990 Return
Tax Period(s) Ended:
6/30/2015
Person to Contact:
L Joe Bussey
Employee ID Number:
1000668235
Contact Telephone Number:
[REDACTED] 982-8722
Contact Fax Number:
855-210-0474
Refer Reply To:
L Joe Bussey

TRANSPORT WORKERS UNION OF AMERICA
LOCAL [REDACTED]
[REDACTED]
[REDACTED]

Dear Organization:

The audit identified the deficiencies discussed in the enclosed addendum. To avoid penalties, loss of exempt status, or both, you must comply with the requirements specified in the addendum.

We audited the returns for the tax periods listed above and determined your organization continues to qualify for exemption from federal income tax under Section 501(c)(5) of the Internal Revenue Code. We accept your returns as filed.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

To receive the Exempt Organizations' *EO Update*, an electronic newsletter with information for tax-exempt organizations and tax practitioners, go to www.irs.gov/charities and click on "Free e-Newsletter."

If you have questions, you can contact the person listed at the top of this letter.

Sincerely,


Maria Hooke
Director, Exempt Organizations Examinations

Enclosure:
Addendum

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer TRANSPORT WORKERS UNION OF AMERICA LOCAL [REDACTED]	Tax Identification Number [REDACTED]	Year/Period ended 6/30/2015

ADDENDUM TO LETTER 3609

During the examination of your Form 990 you indicated in Part IV that of the total voting members of your governing body, none are considered independent voting members. Independence of voting members contributes to impartiality, and also minimizes the potential for conflicts of interest. The examination revealed your board members actually are independent. Ensure the information regarding board independence is accurately reflected on future filings of your Form 990.

During the examination of your Form 990, Part VI, Section B, in reference to your governance policies, you indicate your organization has a conflict of interest policy but did not regularly monitor or enforce its compliance. Though the examination concluded you do regularly monitor and enforce your conflict of interest policy, please ensure the responses you provide on future filings of Form 990 reflect accurate information about this policy.

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