



May 13, 2024

To: CWA Executive Board

From: Erika White, At-Large Diversity Executive Board Member

**REPORT AND RECOMMENDATION OF HEARING OFFICER ERIKA
WHITE; TEMPORARY ADMINISTRATION – CWA LOCAL 54041**

Introduction

The National Association of Broadcast Employees and Technicians-Communications Workers of America Local 54041 was placed into Temporary Administration (“TA”) on October 27, 2023, when CWA President Claude Cummings, Jr., convened a meeting of the CWA Executive Board on that issue and the Executive Board voted unanimously to place Local 54041 into TA effective on that date. The Executive Board appointed NABET-CWA retired member and former Local 51016 President Gene Maxwell as Temporary Administrator. Former Local 54041 President Raza Siddiqui, through his attorney Michael Persoon, objected to the TA on November 15, 2023. President Cummings responded to the objection on November 27, 2023, informed Siddiqui of the reasons for the TA, and appointed the undersigned as Hearing Officer.

On December 6, 2023, I informed Mr. Persoon of the hearing date and location. The TA hearing for Local 54041 was held on January 23-24, 2024, at the Chicago Federation of Labor. For the reasons set forth below, I recommend that the Executive Board sustain the TA and that Local 54041 remain in TA until the financial improprieties that led to the imposition of the TA are corrected.

Events Leading to TA

Local 54041 serves members in Chicago and across the Midwest who work at television studios. In 2022, NABET (“the Sector”) placed Local 54041 into trusteeship for reasons related to disputes that emerged between the administration of Siddiqui and the administration that immediately preceded him. Siddiqui, along with other members of his administration and supporters, filed suit in federal court challenging the 2022 trusteeship. In December 2022, the court ruled that the Sector imposed the trusteeship in bad faith and returned Siddiqui’s administration to office. In August 2023, Siddiqui and the other plaintiffs reached a consent judgment with the Sector

that resolved the outstanding issues between the parties, except for the question of the award of attorney's fees for Siddiqui and the other plaintiffs. The court has not, as of the date of this report, ruled on the issue of attorney's fees in the Sector trusteeship case.

On October 20, 2023, CWA received a petition requesting the CWA Executive Board place Local 54041 into temporary administration ("TA") signed by approximately fifty-six members, including eleven (11) executive board members of Local 54041, one of whom was current Local Executive Board member and former secretary-treasurer Patrick Keating. The grounds for the TA request were financial mismanagement in the form of (1) a loss of over \$162,000.00 from March 2023 to September 2023, (2) the decision of the Local Executive Board to pay litigation expenses totaling more than \$93,000.00 related to a prior trusteeship, (3) the payment of over \$30,000.00 in backpay to Local officers related to the prior trusteeship, and (4) the failure to maintain adequate financial records relating to the business transactions of the Local. On August 31, 2023, the CWA Executive Board ordered CWA Secretary-Treasurer Ameenah Salaam and her office to review Local 54041's financial records and conduct a preliminary audit of Local 54041. The Local did not fully comply with the audit, specifically it failed to provide Secretary-Treasurer Salaam with an unredacted bill for the attorney's fees the Local had paid.

The Resolution of the Sector Trusteeship Litigation has no Bearing on the TA

The opponent of the TA argues that the reasons for proponents seeking the TA were extinguished with the consent decree reached to resolve the litigation over that matter on August 30, 2023. The opponent argues that all but one of the months when Local 54041 ran a deficit occurred prior to the consent judgment with the Sector and therefore they cannot be used as reasons for the TA. I disagree with this contention of the TA opponent. CWA was not a party to the consent judgment. NABET was, but there is no reason to conclude that this agreement to resolve a lawsuit to which CWA was not a party bars the TA imposed two months after the settlement.

Most importantly, however, is the fact that the court rejected this argument in the Sector trusteeship litigation. In the Minute entry from the court dated December 11, 2023, the court ruled regarding a motion filed by Siddiqui, "The permanent injunction does not prohibit . . . CWA from imposing the new trusteeship and the disputes about the Local's governance or management raised by plaintiff Siddiqui in his motion are new." The court explained, "When the parties consented to the permanent injunction, they knew and understood that ongoing disputes were not within the controversy resolved by the consent." This order supports the rejection of opponent's arguments that the settlement of the first lawsuit, to which CWA was not a party, barred the TA imposed by CWA in October 2023.

Further, no evidence in the record indicates the parties discussed these matters in the process of negotiating the consent judgment. Even if such discussions had occurred, the sequence of events recounted above strongly suggests that these matters were not on the minds of the parties as they agreed to the consent judgment. What is most significant for the purposes of this report, though, is that CWA was not a party to that litigation or to the consent judgment.

Also, prior to the August 30, 2023, settlement, the opponent of the TA was aware that the propriety of the Local paying the attorney's fees for the NABET trusteeship litigation was in dispute. The record from the hearing shows that on July 4, 2023, NABET reversed the decision of Local 54041 to pay the litigation costs. Siddiqui, on behalf of Local 54041, appealed the decision to President Cummings on July 24, 2023. President Cummings denied the appeal on September 15, 2023, and Siddiqui appealed that decision to the CWA Executive Board on September 27, 2023. The CWA Executive Board denied that appeal on January 17, 2024. This evidence establishes that the Local's decision to pay the attorney's fees was in dispute before and after the settlement of the lawsuit on August 30, 2023. As such, the opponent to the TA cannot claim that the consent judgment resolved this question as this matter was contested within Local 54041, the NABET sector, and CWA before, at the time of, and after the consent judgment.

Losses of Over \$160,000

The evidence at the hearing substantiated the allegation by the proponents of the TA that the Local sustained a net loss of more than \$160,000.00 in the months from March 2023 to September 2023. The minutes of the Local Executive Board meeting for the months in question established not only that the Local was spending monthly more money than it was bringing in, but also that the Local paid these expenses without the inclusion of appropriate documentation to support their payment such as vouchers. The CWA Executive Board has previously sustained TAs where the Local was making disbursements without properly documenting the reasons for the payment. (See TA of Local 9509 ("Local 9509"), p. 8 (adopted by CWA Executive Board on June 11, 2008)).

Jason Busch, the auditor assigned by Secretary Salaam to review Local 54041's financial records, noted in his September 25, 2023, report that the Local Executive Board approved expenses at each of its monthly meetings, but the report by the Local Secretary-Treasurer did not indicate who the payments were made to and the only support for the expenditure was the invoice; there was no other explanation of the expense and no reason why the expense had to be incurred. As such, the Local Executive Board was not making an informed decision when it voted to pay an expense as the Local Executive Board did not have before it an explanation for the expense at the time the board decided to pay it. These findings led Busch to recommend that the Local use vouchers that explain the activity and the reason for the expense, the person who prepared the voucher, and the person who authorized the expense.

The Local Executive Board minutes for March 29, 2023, show Local 54041 had a net income of -\$34,612.75. The Executive Board minutes of Local 54041 for April 26, 2023, show a total income of \$31,821.95, but expenses totaling \$52,575.45, for a net income of -\$20,753.50. The Executive Board minutes of Local 54041 for May 31, 2023, show a net income for that month of -\$32,421.49. Local 54041 had a net income of -\$15,418.38 according to the June 28, 2023, Executive Board minutes. Local 54041's net income was -\$10,141.11 based on the minutes of the July 26, 2023, Executive Board meeting. In August 2023, Local 54041 had a net income of -\$8,320.76 based on the minutes of the August 30, 2023, Executive Board meeting. The September 27, 2023, Executive Board meeting minutes show a net income of -\$41,085.36. Local 54041 thus spent more than it brought in through dues each month from March 2023 to September 2023. These amounts total a loss of \$162,753.35. The minutes of the Executive Board meetings do not indicate any explanation for the expenses or explanation as to why expenditures, which exceed income for these months, were necessary.

Siddiqui, as the opponent of the TA, argued that the deficits did not support the imposition of the October 2023 TA because other CWA locals run deficits and have not faced TA. Siddiqui supported this argument by submitting as exhibits Department of Labor LM reports from CWA Locals 2108 and 4319. This argument misses the reason CWA imposes TAs under the CWA Constitution and specifically why CWA placed Local 54041 into TA.

The CWA Constitution authorizes the CWA Executive Board to place a local under temporary administration "after receiving a request from the Officers or membership" of a local. CWA has interpreted that provision to mean two or more local officers (Appeal of Frank Thomas – October 1992 Executive Board Minutes) and the CWA Executive Board has interpreted the term "officers" in Article XIII, Section 8(b) of the CWA Constitution to include any member of a local executive board as to who can request a TA. (CWA Presidents Meeting- June 5, 2020 – Appeal No. 3 – Syed Rahim). In this case, Keating and ten other Local Executive Board members signed the TA request received by President Cummings on October 20, 2023. The deficits and the fact that Local 54041 did not properly document the reasons for the expenses, in violation of Article XIII, Section 9(m), which requires proper record keeping, were raised as facts supporting TA. Thus, deficits alone do not require or result in a local going into TA. It is the crisis of confidence that results from a local's mishandling of money and documentation of expenses that can lead to a TA.

The record is devoid of evidence that officers in the comparator locals identified by the TA opponent requested a TA or had similar issues with incorrectly documenting expenses. Deficits alone do not lead to TAs; what leads to a TA are the questions from local officers and members raised by deficits when the local fails to adequately justify the expenses through proper documentation to explain those expenditures. Vouchers explaining the reasons for the expenses would have provided an explanation for the expense had the local officers presented vouchers to the executive board of Local 54041 along with the request to pay the expense. The

officers of Local 54041 did not provide those explanations, in any form, when the Local officers presented an expense to the Local Executive Board for payment, which in turn led to local officers and members questioning expenses and raising these questionable expenses as reasons for the TA.

Article XIII, Section 11, Assets, of the CWA Constitution states the assets of a local are to be “considered a trust fund of the Union,” which a local shall administer for the members of the local. Consistent with this principle of the CWA Constitution, a prior TA report adopted by the CWA Executive Board stated:

Local assets belong to the members, and members entrust Local officers to safeguard those assets. Disregard for the first principles of labor union finance abuses that trust and jeopardizes the Union’s ability to represent members and comply with legal and regulatory requirements. (See TA of Local 1182 (“Local 1182”), p. 7 (adopted by CWA Executive Board on March 11, 2020)).

A corollary to this obligation is the duty of locals to maintain records explaining the reasons for every expenditure. The fiduciary duties that come with administering the assets of a local under the CWA constitution cannot be satisfied when funds are expended without a reason and a local, such as Local 54041 in this instance, is engaged in deficit spending over a period of seven months. When a local executive board spends money, especially in deficit conditions, the local must be able to account for why the local spent the money and Local 54051 did not provide such explanations for these expenses based on Busch’s report and the minutes of the Local 54041’s executive board. I therefore conclude these expenditures and the way the local processed their payment were reasonable grounds for placing Local 54041 into TA.

Payment of \$93,489.69 in Attorney’s Fees

Local 54041’s E-Board approved the payment of \$93,489.69 in attorney’s fees on June 28, 2023, without the benefit of any bill. Based on the minutes of that meeting, Vice President Marcus Crosby told the local executive board that they could view an itemized bill at the local’s office to limit the disclosure of confidential information related to the litigation surrounding the first trusteeship. An itemized bill was not in fact available for review, based on the record in this case, as no bill was present at the local when Busch audited the local in September 2023 and the local officers only provided Busch with a redacted bill after he requested it during the audit.

The reckless manner by which the Local paid this expense is underscored by Siddiqui’s testimony at the hearing that he did not know the exact amount of attorney fees owed, but Siddiqui “figured that’s probably about right.” Siddiqui further testified that “the amount really didn't matter to me because if we had won this in court, which I believe we did, the Sector would be paying this.” The Local

should have been confident in the amount of the attorney's fees and the reason they were incurred if the Local was going to pay this obligation. It appears that none of these facts were known to the degree of confidence required by the Local as a fiduciary under Article XIII, Section 11 of the CWA Constitution.

The fact that another party could end up bearing the costs does not excuse the Local from knowing the amount and what it was paying for when it decided to pay the bill on June 28, 2023. No evidence was presented at the hearing memorializing an agreement to reimburse the money paid by the Local. Such an agreement should have been secured and presented to the Executive Board if the Local believed that the legal expenses would ultimately be borne by the Sector to ensure that the Local, which was not a party to the litigation, was reimbursed. Otherwise, this payment seems to be nothing more than a gratuity. This oversight by the Local is another lapse in its fiduciary obligations and is part of the pattern and practice that led to the Local being placed in TA.

Siddiqui's assertion that another payment, vacation pay for former Local 54041 President Chris Willadsen, was paid without proper documentation does not excuse the reckless manner the attorney's fees were paid. Siddiqui's claim that Willadsen was paid through the same process as the legal bill does not excuse the errors made in paying the bill or show evidence of disparate treatment. The Willadsen payment was consistent with the careless and reckless manner that the Local paid all expenses and arguably contributed to the \$160,000 in deficits discussed above. Siddiqui's point about Willadsen confirms and underscores the fact that the Local failed across the board to verify expenses. Based on Siddiqui's testimony, the Willadsen expense was paid in the same irresponsible manner as any other expense. This fact makes clear that the way the attorney's fees were paid by the Local was not an anomaly, except perhaps for the size of the amount paid. The record from the hearing establishes it was paid in the same reckless, cavalier, and irresponsible manner that was the norm for the Local spending money, and these failures support the Local being placed in TA.

Local 54041 was not a party to the litigation concerning the sector's trusteeship. Based on the record in the TA hearing, it had no attorney-client relationship with the law firm. Despite this fact, the local officers still placed the attorney's fees bill before the local executive board for payment. As noted above, Article XIII, Section 11 of the CWA Constitution makes the assets of a local property to be held in trust by a local for the benefit of a local's members. These assets are to be "considered a trust fund of the Union," which a local shall administer for the members of the local. Locals cannot accomplish that task when they do not know the services they are paying for and why those services were necessary.

One point on this issue raised by Siddiqui is that the lawsuit plaintiffs could not provide an unredacted bill because doing so would compromise the attorney-client privileges between the plaintiffs and their attorneys. This point, however, fails to address that an unredacted bill was necessary so the local executive board could

know the nature and appropriateness of the services submitted to the local executive board for payment. The members who sued the sector did not need to have the local pay the bill. They could have maintained the confidentiality and paid the bill themselves or wait for the court to rule on the question of attorney's fees. Instead, they exercised their political power in Local 54041 and had the local pay the bill.

The parties who sought to have the bill paid cannot have their cake, the attorney client privilege of the plaintiffs, and eat it too by having the Local pay the bill. The attorney client privilege does not circumvent the fiduciary obligation the local has to know what it is paying for and why that was necessary. Had maintaining the privileged nature of the information contained in the attorney's bill been the highest priority for the plaintiffs, they could have easily maintained it by not having Local 54041 pay the bill. The privilege is a shield from disclosure, it is not a sword to eviscerate the fiduciary responsibilities the local owes its members when it comes to the assets of the local.

The minutes of the June 28, 2023, executive board meeting, the meeting where they voted to pay the attorney's fees bill, show that the local executive board voted to pay the bill because the litigation was necessary to restore union democracy. When Local 54041 took that policy position, its fiduciary obligations to the assets held in trust for the membership required the local to scrutinize every item of expense on the bill, just as it would on any other expense, to ensure that the expense was necessary toward the end decided on by the local, just as it must do so with any expense. As with the other expenses of the local leading to the TA, such fidelity to its fiduciary obligation was not present. The way the local paid the legal bill of \$93,489.69, specifically without an unredacted bill being before the Local Executive Board, violates Article XIII, Section 11 of the CWA Constitution and provides grounds for the imposition of the TA.

A point raised by Siddiqui as the opponent of the TA in defense to this issue is the assertion that the court could order the Sector to pay the plaintiffs' attorney expenses in the Sector trusteeship lawsuit. Siddiqui, as noted above, believed this possibility excused him from knowing the exact dollar amount owed. The flaw in this logic is that there is no guarantee that the court will award attorney's fees for the plaintiffs. The court, both at the time of the hearing and the writing of this decision, has not ruled on the question of who will pay the plaintiffs' attorney's fees in the Sector trusteeship litigation. While the Court may find the Sector liable for the plaintiffs' attorney's fees, this outcome is not guaranteed, and a speculative outcome does not excuse the Local from the care it must take in expending funds it holds for the benefit of its members. Such speculative behavior leads to incarceration when it occurs in financial markets. It supports a TA when it occurs within a CWA local.

Another way in which the payment of the legal bill is inconsistent with the fiduciary obligations imposed by Article XIII, Section 11 is that Local assets paid a legal bill for a lawsuit to which it was not a party and, based on the hearing record, on behalf of one member of the Local. A declaration by Siddiqui in the sector

trusteeship litigation indicates that he was the only plaintiff in the lawsuit who was responsible for paying the attorneys. While Siddiqui did not vote on the June 28th motion that led to the Local paying the attorney fee bill, he benefited from the decision of the Local Executive Board to pay the bill.

The CWA Executive Board has sustained TAs where it found that the deficient financial practices of the local in question left the local “holding the bill for former officers’ personal expenses or paying excessive amounts for questionable purposes.” (See Local 1182, p. 7). Here, based on the record of the hearing, one officer was responsible for the attorney fee expense. It is without a doubt a questionable expense because the redacted bill prohibits any scrutiny of the charges. This aspect of the payment of the legal bill also supports the TA of Local 54041.

The payment of Siddiqui’s backpay

There is no dispute that the Local incorrectly calculated Siddiqui’s backpay for the period when he was out of office during the NABET sector trusteeship. The Local paid Siddiqui \$30,697.00, but Busch’s audit determined Siddiqui would have earned only \$27,560.40 as Local 54041 President for the period of the sector trusteeship from October 1, 2022, to December 9, 2022. Further, Siddiqui’s backpay calculation was inflated by the fact that payroll taxes were not withheld. The indisputable cause of the Local’s error was the fact that rather than making the payment through ADP, the Local’s payroll system, the local simply provided Siddiqui with a check like it would for any expense accrued in the ordinary course of business. This method of payment resulted in Siddiqui receiving a windfall because the Local paid Siddiqui approximately \$2,500.00 more than he would have earned as president during that period and not having taxes withheld. This error resulted from the Local’s decision not to use ADP to process Siddiqui’s backpay. Siddiqui has acknowledged this mistake and repaid the overpayment that resulted from the unorthodox manner that the Local made the payment.

The opponent of the TA argues that the resolution of the overpayment after the imposition of the TA disposed of this issue and therefore does not support the imposition of the TA. Siddiqui did not repay the overpayment, however, until December 2023, after CWA imposed the TA on the local. The fact that the local made the overpayment in the first place is another example of the reckless way the Local disposed of money and its executive board failed to adhere to the fiduciary obligations imposed by the CWA Constitution concerning local assets. The opponent of the TA offered no credible explanation as to why the local did not process the payment of the backpay through ADP other than it was an oversight. One oversight amongst others such as the deficits without vouchers explaining the need for expenses. Another being the payment of over \$93,000.00 for litigation costs without proper documentation to support the payment. The overpayment of Siddiqui is another example of the reckless and cavalier way Local 54041 spent money. The need to correct and eliminate such conduct supports the TA and, therefore, this example of

recklessness was a legitimate ground for the imposition of the TA under the CWA Constitution.

The Failure to Maintain Adequate Financial Records

The Local's failure to maintain adequate financial records is an element that runs through the issues discussed above. Vouchers explaining expenses are non-existent, which raises questions as to the over \$160,000.00 in total deficits that the local ran from March to September 2023. The Local's recordkeeping issues also contributed to the overpayment of Siddiqui's backpay for the period of the Sector trusteeship. This payment was made outside of the normal payroll system and as a result Siddiqui was paid more than he was owed for the relevant period and no withholdings were made from the payment.

The Local's decision to pay over \$93,000.00 in attorney fees without having a bill before it is the most glaring example of deficient financial record keeping. No bill was present on June 28, 2023, when the local executive board made this decision. Former Vice President Crosby stated a bill would be available for review after the vote, but this would still not have allowed the Executive Board of Local 54041 to make an informed decision because the bill was not present when the Executive Board made the decision to pay the attorney's fees bill. Further, based on the record of the hearing, such a bill was not provided to the Local because Busch could not locate one and only received the redacted bill when he requested a copy of the invoice. A copy of the attorney's bill should have been before the Local 54041 Executive Board when it voted to pay the bill. The record keeping issues as components of the other issues discussed above provide justification for the TA of Local 54041.

Conclusion

The TA imposed by CWA was unrelated to the political disputes within the Local and between the Local and the Sector. CWA imposed the TA because the Local was failing to manage its assets in accordance with the CWA Constitution, which treats assets of a local as property held in trust for the benefit of the local membership. Fidelity to this duty requires a local to maintain records explaining its expenses adequately and accurately, specifically in the form of vouchers or other documentation that can be presented to the executive board of a local along with the amount to be paid. These financial improprieties do not rest on the shoulders of one member of the Local 54041 Executive Board but are collectively deficiencies of Local 54041 that can be rectified through the TA, which can put in place financial standards and practices to ensure the acts at issue in this case do not occur again and that there are documented and supported explanations for all expenses incurred and paid by Local 54041. I, therefore, recommend that the CWA Executive Board affirm the Temporary Administration of Local 54041 and leave the Local in Temporary Administration to permit the implementation of sound financial controls

and practices so the conduct of Local 54041 conforms to the obligations and expectations of the CWA Constitution.

Respectfully submitted,

Erika White

Erika White, At-Large Diversity Executive Board Member