



December 19, 2023

Mr. Jerry (J.C.) Sampson, Secretary-Treasurer  
Transport Workers Union AFL-CIO  
Local 567

Case Number: 420-6027562( )  
LM Number: 529395

Dear Mr. Sampson:

This office has recently completed an audit of Transport Workers Union AFL-CIO Local 567 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, President Rollie Reaves, Vice-President Jose Carballo, & Office Manager Teresa Sexton on November 29, 2023, 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 567's 2022 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 567 did not require President Reaves to submit itemized receipts for meal expenses totaling at least \$2,048.74. In addition, Local 567 did not require President Reaves to submit receipts for hotel restaurant and bar charges totaling at least \$350.70. Hotel restaurant/bar charges were listed on hotel folios, and no supporting documentation of those expenses was maintained. The union must maintain itemized receipts provided by restaurants/bars to officers and employees. 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. 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.

2. Other Reimbursed Expenses to Officers

Local 567 did not retain adequate documentation for reimbursed expenses incurred by President Rollie Reaves and Section Vice-President Pedro Boyarsky totaling at least \$590. For example, President Reaves did not turn in an itemized receipt for a \$91.74 credit card charge by Homewood Suites in San Diego, CA (check [REDACTED]) for his September 2022 trip and for a \$495.65 Budget car rental for his September 2022 trip to San Diego, CA (check [REDACTED]).

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. 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.

3. Disposition of Property

Local 567 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. Local 567 officers stated when items were purchased to give away to members, they were distributed to members shortly after they were received. Member lists were used when distributing those items. Member names were checked off or members signed for the items. However, after the items were distributed, the lists were not retained.

The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items. In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items. OLMS recommends having members sign a list for each free item and maintaining those lists.

4. Lack of Salary Authorization

Local 567 did not maintain adequate records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and correctly reported. Local 567 officers stated that the current officer salaries were voted on in membership meetings about 14 years ago, and the minutes of those meetings were not maintained.

The union must keep a record, such as meeting minutes, to show the current salaries authorized by the entity or individuals in the union with the authority to establish salaries.

Based on your assurance that Local 567 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 Form LM-2 filed by Local 567 for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Beginning & Ending Cash

Local 567 reported incorrect amounts in Items 22A & 22B beginning and ending cash. Local 567 should have reported the beginning and ending balances as of January 1, 2022 and December 31, 2022 of their checking account, money market portion of their Edward Jones accounts, and petty cash fund.

2. Total Interest & Dividends

Local 567 reported incorrect total amounts in Item 40 Interest and Item 41 Dividends. Local 567 should have reported the year-end total interest and dividends.

3. Other Receipts

Local 567 failed to report the correct amount of other receipts. It appears they failed to include two debit card refunds totaling \$70.

4. Disbursements to Officers and Employees

Local 567 did not include some reimbursements to officers and employees / payments to officers and employees totaling at least \$3,250 in Schedule 11 (All Officers and Disbursements to Officers) and \$250 in Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Columns E or G or in Schedules 15 through 19.

Local 567 also mistakenly reported amounts reimbursed for the purchase of cell phones and laptops next to officer's names in column E (Allowances Disbursed) that should have been

reported in column F (Disbursements for Official Business) or, if turned in to the union, in Item 60 Purchase of Investments and Fixed Assets.

Local 567 failed to report the taxes taken out of employee's checks in the Less Deductions line of Schedules 11(All Officers and Disbursements to Officers) & 12 (Disbursements to Employees).

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

#### 5. Benefits

Local 567 did not properly report payments for benefits, such as insurance, and improperly reported gifts to members as benefits. The LM-2 instructions for Schedule 20 explains that benefits are direct and indirect disbursements for life insurance, health insurance, and pensions. For example, disbursements in Schedule 20 should have included itemized payments to the Union Insurance Group for \$13,200, Blue Cross & Blue Shield for \$10,015, and non-itemized payments to The Hartford for \$502, The Standard Insurance Company for \$1,135, Modern Woodmen for \$159, and a Roth IRA for \$1,560 for Office Manager Teresa Sexton. Items purchased to give to officers or members (shirts, hoodies, pens, Bibles, flowers, etc.) or expenses for Local 567's annual picnic should have been reported in Schedule 17 Contributions, Gifts, & Grants. Local 567's annual bond should be included in Schedule 19 Union Administration.

#### 6. 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 567 amended its constitution and bylaws in 2020, but did not file a copy with its LM report for that year.

Local 567 agreed to file a copy of their bylaws with their amended 2022 LM report.

Local 567 must file an amended Form LM-2 for the fiscal year ended December 31, 2022, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-2 must be filed no later than **January 12, 2024**. Before filing, review the report thoroughly to be sure it is complete and accurate.

### Other Violations

#### 1. Cell Phone and Data Allowances

Local 567 has a policy that officers are reimbursed up to \$250 per term to upgrade their **personal** cell phone. Local 567 also has a practice of paying \$100/month cell phone allowance and \$75/month data allowance to officers. These cell phones are not business phones, they are personal phones that are also used for union business. Further, individual cell phone service plans cost less than \$100/month, and unlimited data is part of most cell phone plans. Considering the \$175 monthly allowance and the additional \$250 toward the purchase of the cell phone, Local 567 has been reimbursing significantly more than the cost of individual service plans and cell phones during a term of office; therefore, Local 567 has likely fully paid for the cell phones to where the cell phones have become union property. Title V of the LMRDA prohibits using union funds for personal use. OLMS recommends eliminating the \$250/term toward a cell phone and the \$75/month data allowance and reducing the amount of the monthly cell phone allowance to \$50/month to cover the use pertaining to union business.

#### 2. Laptop Purchase Policy

Section 3.31, sub-section 8 of Local 567's policy manual states, "TWU Local 567 will provide a 1 time per term (election cycle) reimbursement up to \$1,500 to the following elected officials (President, Vice President, Financial Secretary-Treasurer, Recording Secretary, 4 Executive board members at large, Title I section VP, Title II section VP, Title V section VP, Technical Specialist section VP) for the purchase of a **personal** laptop." Review of Local 567's 2022 records showed President Rollie Reaves, Section Vice President Rob Detlefsen, Section Vice President Pedro Boyarsky, Board Member Richard Raskey, and ASAP Coordinator Doug Housley were reimbursed for laptop purchases. Review of those reimbursements revealed that in addition to laptops, union funds were used to purchase computer accessories (software, computer case, mouse, etc.) and make small donations.

Once an officer leaves office, the laptop is not turned in to the union. In addition, if an officer remains in office, the officer purchases *another* laptop and receives reimbursement, with the prior laptop not turned in to the union.

This practice is in violation of Title V of the LMRDA. Union funds and property must be used solely for the benefit of the organization and its members. Union funds cannot be used to purchase personal items for officers. Further, if union funds are used to purchase an asset, that asset is union property. Therefore, the laptops that were purchased with union funds are union property and need to be turned in when officers leave office. OLMS recommends Local 567 purchase and issue union laptops to officers during their term of office and buy new laptops as needed.

### Other Issues

#### 1. Expenditures Exceeding Income

In 2022, Local 567's expenditures exceeded their income. OLMS recommends creating a budget based off your prior year's income or projected income and spend less than your income to ensure that the Local 567 can fulfill its obligations to the membership.

#### 2. Meal Reimbursement

It is Local 567's policy to "reimburse travel expenses on the basis of actual expenses involved. Officers traveling on TWU Local 567 business are entitled to transportation, hotel accommodation, meals, and limited incidentals (for example, taxis and telephone calls) that meet *reasonable* and *adequate* standards for convenience, safety, and comfort." Members are limited to up to \$50 per day for meals with receipts. There is no limit for officers. The following two examples are based on credit card receipts. On November 15, 2022, President Reaves spent over \$161 on meals in Catoosa, OK. On September 22, 2022, President Reaves spent over \$162 on meals in San Diego, CA. These amounts far exceed both the daily GSA per diem rates for those areas and the limit set for members. As discussed above in the recordkeeping violations, a lot of itemized receipts were not maintained and should have included written explanations of union business conducted and full names and titles of all persons who incurred the restaurant charges. OLMS recommends Local 567 add a reasonable maximum limit for officers or change the practice to paying per diem instead of actual meal expenses. Daily per diem should be no more than the GSA rate.

#### 3. Lost Time

Section 1A of Article VIII of Local 567's Bylaws state upon approval of the president, vice-president, or treasurer, officers who are required to work in excess of their 8-hour work day can be compensated for up to 2 hours maximum at straight time rates. To claim this, officers fill out "Lost Time Reimbursement Time Sheets." OLMS' review of officer's time sheets revealed that most of the time, officers claim the full 2 hours, regardless of how many hours are actually worked. OLMS recommends that Local 567 officers start documenting the exact times they are claiming and consider implementing more checks and balances to prevent abuse and to ensure officers are working the extra time claimed.

#### 4. Overtime

Local 567 Office Manager Teresa Sexton is not part of Local 567's Collective Bargaining Agreement that states employees are paid overtime after working 8 hours in a day. Local 567 has been paying Sexton overtime for weeks she worked less than 40 hours due to a holiday or taking leave. This is in violation of state and federal overtime laws. In 2022, Sexton was overpaid 22 hours of overtime that should have been paid at straight time.

#### 5. Alcohol Purchases

Section 3.23 of Local 567's policy manual states, "Alcohol is prohibited during membership meetings." Except for their annual picnic, Treasurer Sampson stated that it's generally Local

567's policy to not pay for alcohol and that Local 567 has denied reimbursement claims for alcohol from officers. President Reaves claimed and was reimbursed \$70 of tequila and beer purchased at the location of the membership meetings, Bear Creek Golf Club, on the day of the membership meetings. This is against Section 3.23 of Local 567's policy manual and is not Local 567's general practice. Further, this is inconsistent with Local 567's practice of not reimbursing alcohol to other officers.

6. Financial Information in Membership Meetings

During the audit year, none of the discussions or votes of union expenditures that took place in Board meetings were mentioned, discussed, or voted on in the membership meetings. Local 567 advised that starting in May 2023, a financial report is now presented to the membership in the membership meetings. Title II of the LMRDA promotes labor-management transparency, and requires, in part, that unions meet basic standards of fiscal responsibility. Union members having access to information enables unions to better self-govern as well as detect and deter fraud and embezzlement. To ensure compliance with the LMRDA and safeguard union assets by promoting transparency and accountability, OLMS recommends keeping the membership informed of how union funds are spent.

I want to extend my personal appreciation to Transport Workers Union Local 567 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,



Senior Investigator

cc: Mr. Rollie Reeves, President  
Vice-President Jose Carballo  
Office Manager Teresa Sexton  
Board member Brett Ong  
Board member Rick Raskey  
Board member Ken Conti  
Section Vice-President Pedro Boyarsky  
Section Vice-President Rob Detlefsen  
Section Vice-President Eddie Maldonado