

U.S. Department of Labor

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April 22, 2009

Mr. Tim Gossett, Secretary-Treasurer
Utility Workers AFL-CIO
Local 640
501 R E. Airline Drive
East Alton, IL 62024-1911

LM File Number 543-416

Case Number: [REDACTED]

Dear Mr. Gossett:

This office has recently completed an audit of Utility Workers Local 640 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 April 8, 2009, 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 640's 2008 records revealed the following recordkeeping violations:

1. Supporting Documentation

Local 640 did not retain adequate documentation for expenses totaling at least \$9,945.71. For example, check number [REDACTED] made payable to the Illinois Department of Employees in the amount of \$165.38; check number [REDACTED] made payable to the Illinois Department of Revenue in the amount of \$907.26; check number [REDACTED] made payable to the IRS in the amount of \$5,273.07; check number [REDACTED] made payable to the LERA Gateway Chapter in the amount of \$100.00; and check number [REDACTED] made payable to the United States Treasury in the amount of \$3,500.00.

As previously noted, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Failure to Record Receipts

Local 640 did not record in its receipts records some employer dues checkoff checks totaling at least \$14,938.00. For example, \$10,024.00 received in August, 2008; \$4,900.00 received in September; and \$14.00 received in November. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received and the source of the money.

Based on your assurance that Local 640 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-3 filed by Local 640 for fiscal year ending December 31, 2008 was deficient in the following areas:

1. Disbursements to Officers

Local 640 did not include some reimbursements to officers totaling at least \$3,291.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to Local 640 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. Cash Reconciliation

The cash figures reported in Item 25 were overstated and did not reconcile to the balances shown on the bank statements. The receipts were understated by \$3,536, and the disbursements were understated by \$32,136. Under Statement B, receipts must be recorded when money is actually received by the labor organization, and disbursements must be recorded when money is actually paid out by the labor organization.

3. 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 640 amended its constitution and bylaws in the spring of 2008 but did not file a copy with its LM report for that year.

Local 640 has now filed a copy of its constitution and bylaws.

Local 640 must file an amended Form LM-3 for fiscal year ending December 31, 2008 to correct the deficient items discussed above. I provided you with a blank form and instructions and advised you that the reporting forms and instructions are available on the OLMS website (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 May 10, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issue

Signing Blank Checks

During the audit, you advised that President Susan Webb signs blank checks. The two- signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check and negates the purpose of the two-signature requirement. OLMS recommends that Local 640 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Utility Workers Local 640 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

Mr. Tim Gossett
April 22, 2009
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cc: Susan Webb, President