

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 13, 2006

Mr. Thomas Dickerson, President
Mr. Robert Dondo, Treasurer
Service Employees, Firemen & Oilers, Local 266
PO Box 310
Fredonia, NY 14063

Re: ~~_____~~

Dear Mr. Dickerson :

This office has recently completed an audit of 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, Mr. Dando, and CPA Rose Crino on Tuesday, July 11, 2006, 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.

The CAP disclosed the following:

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 266's 2005 records revealed the following recordkeeping violations:

- Union officers and employees failed to maintain adequate documentation for reimbursed expenses, including mileage and restaurant expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses, the purpose of the meeting, and the locations (names of restaurants) where meal expenses were incurred must be recorded.
 - Specifically, there were missing vouchers for three payments to President Thomas Dickerson for reimbursement for mileage.
 - 19 vouchers for reimbursement for mileage to Tom Dickerson did not contain sufficient detail regarding the location of the travel.
 - Restaurant receipts retained were not itemized and did not include details of the purpose of the meeting and people attending.
- Local 266 failed to maintain a record of employer dues check-off checks and checks and cash received from members for union hall rental. 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. The deposit slip is not sufficient record of receipts.
- Adequate documentation was not retained for some large and/or unusual purchases, such as checks written for a down-payment to _____, retainer for _____ and payments to _____ for food for union events. You agreed to obtain receipts for all future union disbursements.
- Local 266 failed to maintain an inventory of union assets including hats, jackets, and other property which were purchased and sold or given away. Records must be maintained that account for all union property. In the case of union hats, jackets and other items sold to members, the date and amount received from every sale must be recorded in at least one record. During the closing interview, Mr. Dando showed the writer that he is in the process of creating an inventory of union assets.

As agreed, provided that Local 266 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP disclosed violations of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations.

- Local 266 failed to file the Labor Organization Annual Report Form LM-2 electronically within 90 days of the end of their fiscal year.
- The Labor Organization Annual Report Form LM-2 filed by Local 266 for fiscal year ending December 31, 2005, was deficient in the following areas:
 - Item 15 (Acquire or dispose of any assets in any manner other than by purchase or sale) should have been answered, "Yes," because the union distributed give-away items and retirement watches during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. In addition, for assets that were traded in, the cost, book value, and trade-in allowance must be reported.
 - The names of some officers and the total amounts of payments to them or on their behalf were not reported in Schedule 11 (All Officers and Disbursements to Officers). All persons who held office during the year must be reported in Schedule 11 regardless of whether or not they received any payments from the union.
 - Local 266 failed to include reimbursements to officers in Schedule 11 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Schedules 15 through 19. Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an airline) and for temporary lodging expenses incurred

while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

- Local 266 failed to properly report assets in Schedule 6 (Fixed Assets). All assets were lumped into line 7. Other Fixed Assets. This line should only be used for items that do not fit into any other category on this schedule. The union's building should be listed in line 3. Buildings (give location), and the union's office furniture and equipment should be listed in line 6. Office Furniture and Equipment.
- 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 1013 amended its constitution and bylaws in 2000, but a copy was not filed with its LM report for that year.
 - As agreed, Local 266 will file a copy of its current constitution and bylaws with this agency with their 2006 LM-2 as they are currently making further revisions.

I am not requiring that Local 266 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 266 will properly report the deficient items on all future reports filed with this agency.

Other Violations

- The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 266's officers are currently bonded for \$30,000 but they must be bonded for at least \$40,030. During the CAP, the local increased the bonding to \$40,000; however, after further discussions during the exit interview, you decided to increase your bonding to \$50,000 and forward a new bonding certificate to OLMS by August 11, 2006.

Other Issues

- As discussed during the exit interview, the audit revealed that Local 266 does not have a clear policy regarding the use of internet banking. A clear set of checks

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and balances is essential for all disbursements. If written guidelines are adopted in the near future, I would appreciate it if you would forward a copy to me.

- During the CAP, the writer observed a check with only one signature. We discussed the importance of having two signatories on each union check. You agreed to check with Key Bank to ensure that the account requires two signatures on all union checks.
- A review of the QuickBooks ledger for the general fund checking account revealed several discrepancies with the bank and accountant records. Mr. Dando is going to sit down with the accountant to ensure that their records reconcile. There were four small debit card disbursements that were booked twice. A monthly reconciliation of the QuickBooks with bank records is beneficial to keeping union records accurate.

I want to extend my personal appreciation to you and Mr. Dando 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

cc:

Mr. Robert Dando