

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Nashville District Office
233 Cumberland Bend Drive
Room 110
Nashville, TN 37228
(615)736-5906 Fax: (615)736-7148



June 15, 2006

Mr. Joseph Yeager, Treasurer
Transportation Communications Union, AFL-CIO
Lodge 6385
290 Cherry Blossom Lane
Empire, AL 35063

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. Yeager:

This office has recently completed an audit of TCU Lodge 6385 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 Terry Graham and Joe Yeager on April 24, 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:

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, 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 recipients of the goods or services.

The following record keeping violations were revealed during the audit of Lodge 6385's 2004 records:

1. Officer and Employee Expenses

Union officers and employees failed to retain adequate documentation for reimbursed 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 paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

The union failed to retain adequate documentation such as the 2004 Disbursement and Receipt Journals, in which you indicated these Journals, could not be located except for the month of December. Lodge 6385 also failed to retain adequate documentation for meal expenses, and travel expenses involving mileage and lost time. The union failed to retain adequate documentation such as a mileage log for officers. Although the meal receipts for the membership meetings were attached to the Disbursement Vouchers, the names and numbers of individuals present for meal expenses paid for by the union were not indicated. In addition, some of the Disbursement Vouchers were not adequately filled out to indicate the actual number of miles traveled or hours spent on union business, and the amount of salary being paid for lost time. You have indicated that these amounts were orally told to the former treasurer, but not written on the Disbursement Voucher.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a 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.

As agreed, provided that Lodge 6385 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

2. Lost Wages

Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages be incurred. The lost wage claims must 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.

As agreed, provided that Lodge 6385 maintains adequate documentation for its lost wages in the future, no additional enforcement action will be taken regarding this violation.

3. Receipts

Copies of the deposits for 2004 were not retained, except for copies of the dues checks. The 2004 Disbursement and Receipt Journal could not be located. In addition, deposit slips or receipts for various reimbursements were not kept in the union's records.

Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

As agreed, provided that Lodge 6385 maintains adequate documentation for its receipts in the future, no additional enforcement action will be taken regarding this violation.

4. Other

Adequate documentation was not retained for documentation of the inventory of the fixed assets of Lodge 6385. You agreed to keep an inventory list in the future.

Some checks which were voided and not issued were not retained. Copies of 2004 voided checks for _____ were missing, and not attached to the Disbursement Vouchers as the other cancelled checks. Copies of the missing voided checks include _____. You agreed to keep the voided checks in the future.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Lodge 6385 for fiscal year ending December 31, 2004 was deficient in the following areas:

1. LM-3 Item 24 (All Officers and Disbursements to Officers)

Some payments to officers not properly reported

Lodge 6385 failed to include some reimbursements to officers and employees in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Specifically, Local Chairman and Financial Secretary/Treasurer Allen Golsan allowances were reported on the 2004 LM-3 report Item 24 (E) as \$613.00 for allowances and other disbursements. The correct amount should have been \$652.57. Financial Secretary/Treasurer James Leonard's allowances were reported on the LM-3 report Item 24 (E) as \$393.00. The correct amount should have been \$432.50. President Terry Graham's allowances were reported on the LM-3 report Item 24(E) as \$171.00. The correct amount should have been \$211.20. Trustee James Echols allowances were reported on the 2004 LM-3 report Item 24(E) as \$0. The correct amount should have been \$30.00. Vice President Homer Golden's allowances were reported on the 2004 LM-3 Item 24(E) report as \$0. The correct amount should have been \$10.00. Recording Secretary Robert Hawkins' allowances were reported on the LM-3 report Item 24(E) as \$0. The correct amount should have been \$30.00. Vice Local Chairman Phillip Coleman's allowance were reported on the LM-3 report Item 24(E) as \$0. The correct amount should have been \$10.00.

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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 Expenses).

Officers Not Listed

The names of some officers who held office during the year were not reported in item 24 with the total amount of payments to or for them. The names of all persons who held office during the year must be reported in item 24 regardless of whether or not they received any payments from the union.

Trustee Alfred Moore was not reported on the LM-3 report under Item 24. Trustee Moore should have been reported on the LM-3 report Item 24(D), (E), and (F) as receiving \$0. Trustee(s) Joe Yeager and D.C. Hatcher were also not reported on the LM-3 report Item 24. Trustee(s) Yeager and Hatcher should have been reported on the LM-3 report Item 24(D) and receiving \$0, and under Item 24(E) as both receiving \$20.00 each.

In addition, all other direct and indirect disbursements to each officer not included elsewhere in the report should otherwise be reported under Item 24(E). Included in this is all direct and indirect disbursements which were essentially for the personal benefit of the officer and not necessary for conducting official business of your organization. Specifically, this includes the retirement watch for Officer James Leonard, door prizes to officers, and holiday gift certificates to officers. However, disbursements for occasional non-cash gifts of insubstantial value need not be included in Column (E) if reported in Item 51 (Contributions, Gifts, and Grants).

2. LM-3 Item 51 (Contributions, Gifts, and Grants)

Lodge 6385 failed to enter the total of all disbursements for contributions, gifts and grants made by your organization under Item 51. Specifically, Lodge 6385 purchased watches for retirement gifts, door prizes and holiday gift certificates from Bruno's market for union members in 2004. Therefore, these purchases should have been reported under Item 51 (Contributions, Gifts, and Grants) and not Item 48 (Office & Administrative Expenses). However, gifts to officers (such as the retirement watches, door prizes, and gift certificates) can alternatively be put under Item 24(E).

I am not requiring that Lodge 6385 file an amended report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

3. LM-3 Item 29 (Fixed Assets)

Lodge 6385 failed to enter the book value at the start and end of the reporting period of the office furniture and equipment owned by the union. Specifically, Lodge 6385 failed to report the value of a computer obtained from the union merger in 2004, their three filing cabinets, and an adding machine.

The book value at the start and end of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment owned by your organization must be reported in Item 29 (Fixed Assets). The book value of fixed assets is cost less depreciation.

Other Violations

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. The audit disclosed Lodge 6385's officers and employees were currently bonded for \$5,000, but they are required to be bonded for a minimum of \$6,577.18 based on the funds handled during fiscal year ending December 31, 2005. The proper bonding was not provided during the audit and will be pursued by the Nashville District Office in a separate bonding case.

2. Countersignature (Signing Blank Checks)

During the audit, you advised that President Terry Graham and Vice President Homer Golden sometimes sign blank checks in advance because they work different shifts. Your union's constitution require that no disbursement may be made by the financial secretary-treasurer except on duly approved vouchers signed by the president and the chairman of the board of trustees. Your union requires that the president and the vice president sign all checks. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

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I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours and President Terry Graham's successors at whatever time you may leave office.

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

Ronald G. Elmore
District Director

cc: President Terry Graham