

U.S. Department of Labor

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Office of Labor-Management Standards
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August 7, 2007

Mr. Michael Pauley, Financial Secretary
Mineworkers AFL-CIO
Local 1503
500 4th Street
Madison, WV 25130

LM File Number 064-713

Case Number: [REDACTED]

Dear Mr. Pauley:

This office has recently completed an audit of Mineworkers Local 1503 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 Carl Egnor, and Recording Secretary Clinton Smith on July 13, 2007, 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 1503's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses and Lost Wages

Local 1503 did not retain adequate documentation for reimbursed expenses and lost wage reimbursement payments to union officers and employees. The "Monthly Salary and Expense Reports" utilized by the officers and employees to claim and receive reimbursed expenses and lost wages did not, in most cases, specify the purpose of the lost wage and mileage reimbursements. Along with the date of the lost wages, the officer or employee must record the purpose or nature of union business performed. When claiming mileage reimbursements, recording the total miles as is currently the practice is not sufficient, the officer or employee must record the beginning and ending destinations for each trip. When reimbursements for purchases or phone calls are listed on the Expense Reports, the officer or employee must attach the original bill or invoice. Eight members of Local 1503 attended the Mine Workers International Convention in Las Vegas in 2006. Each member should have completed an Expense Report for per diem. The OLMS audit revealed that only those members who received lost wages completed an Expense Report. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and financial secretary (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. Meal Expenses

Local 1503 records of meal expenses did not always include written explanations of the union business conducted or the names and titles of the persons incurring the restaurant charges. The audit revealed that whether the union used the Union Plus credit card or meals were paid directly by an officer or employee and listed on the Expense Report, in most instances the restaurant receipt did not state the purpose of the meeting and who incurred the charges. 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. Also the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Receipts

Individual dues payments were not traceable to a deposit in the union's bank account. Specifically, Local 1503 received direct pay dues from inactive and retired members. Local 1503 issued members a receipt for direct paid dues. The information on the union's duplicate receipts included the member's name, amount paid, and the period payment covered. The detailed deposit tickets listed check numbers with corresponding amounts. Payments, as recorded on duplicate receipts, were not traceable to listings on detailed deposit tickets. As we discussed at the exit interview, the union should record on the duplicate receipt the check number or cash, as is the case, or list the member's name on the detailed deposit ticket, or devise another system whereby each receipt is traceable to a deposit.

4. Cancelled Checks

Local 1503 received copies of the fronts of cancelled checks from Boone County Bank with its monthly statement. The union's records must contain both the fronts and backs of all cancelled checks.

Based on your assurance that Local 1503 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 LM-3 filed by Local 1503 for fiscal year ending December 31, 2006 was deficient in the following areas:

1. Disbursements to Officers

Local 1503 did not include some reimbursements to officers totaling at least \$1,000 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 & Administrative Expense).

The union must report most direct disbursements to Local 1503 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. Other Receipts

Local 1503 did not report the \$10,000 received from Eastern Association Coal Company, a division of Peabody, in Item 43 (Other Receipts) but erroneously reported the amount in Item 38 (Dues).

3. Professional Fees

Local 1503 issued three checks totaling \$2,250 to Gurski Brogan and Associates, CPA's for accounting services. The LM-3 shows zero in Item 49 (Professional Fees); the union erroneously reported the amount in either Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

I am not requiring that Local 1503 file an amended LM-3 report for 2006 to correct the deficient items, but Local 1503 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Signing Blank Checks

During the audit, you advised that President Carl Egnor signs blank checks. Your union bylaws require all checks be signed by the financial secretary and countersigned by the president. The two signature requirement is an effective internal control of

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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 1503 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Mineworkers Local 1503 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,

A black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Carl Egnor, President
Clinton Smith, Recording Secretary