

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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February 12, 2007

Mr. Dylan Terry, Treasurer
Transportation Union
Local Union 318
429 Clayton Ave
Vestal, NY 13850

Re: Case Number: [REDACTED]

Dear Mr. Terry:

This office has recently completed an audit of [REDACTED] 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 February 7, 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.

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.

The audit of Local 318's 2006 records revealed the following recordkeeping violations. Adequate documentation was not retained for some disbursements including:

- Two disbursements by check payable to [REDACTED] were not supported with a receipt or descriptive voucher. Check [REDACTED] for \$129.50 and check [REDACTED] for \$113.95 were not supported with an explanation other than in the memo section of the check. Additional documentation is necessary and if applicable, a receipt must be retained.

- Expense reimbursements to [REDACTED] during the period were insufficiently supported with documentation. UTU Local 318 reimburses [REDACTED] for mileage, monthly cell phone bills and rent for office space at the Hornell Area Chamber of Commerce (HACC). There were few supporting bills for cell phone reimbursements for the audit period. Also, payments for office space should be made directly to HACC rather than reimbursed to [REDACTED]
- The union's meeting minutes are insufficient with detail. In addition, it is outlined in the union's constitution that memberships meetings are to be held no less than once per month. Local 318 only held five meetings total during the audit period.

As agreed, provided that Local 318 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding this violation.

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. During the audit, you explained that the union does have local bylaws that were adopted some time ago; however those bylaws are "missing" from the union's records. A copy of those bylaws were not provided to OLMS. You explained that your International body may have copy of the most recent bylaws for Local 318 and that you will obtain a copy from them. As agreed, Local 318 will file a copy of its current bylaws with this agency within 30 days of the date of this letter.

The CAP also disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. A review of records for fiscal year ending December 31, 2005 was conducted since the union had not yet filed the 2006 annual report. The Labor Organization Annual Report (Form LM-3) filed by Local 318 for fiscal year ending December 31, 2005, was found to be deficient in the following areas:

1. The date of the next regularly scheduled election of officers was incorrect. The regular election of officers was held in November 2005; however the date listed on the report was November 2006.
2. The beginning and ending year figures listed in Item 25 (cash) are inaccurate. Both the union's bank and the union's general ledger states that the beginning cash is \$2,069 and the ending cash is \$3,200; however the LM-3 report states the beginning cash is \$2,071 and ending cash is \$2,683.

I am not requiring that Local 318 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 318 will properly report the deficient items on future reports. As discussed, for the upcoming 2006 LM report to be filed with this agency no later than March 31, 2007, the noted items should be corrected, and the beginning and ending cash figures should be

accurately reported. Further explanation regarding the inconsistencies between the two reports can be provided in Item 56.

During the audit, you advised that Jeffrey Boyd signs blank checks in advance. It is the policy of the union that all checks be signed by the president and treasurer. 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. I understand that work location and scheduling may be an issue; however I recommend that Local 318 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to you 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