



Union officers and employees failed to maintain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses that were direct-paid by the union. 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 and the locations (names of restaurants) where meal expenses were incurred must be recorded.

The union failed to retain backup documentation for reimbursed officer and employee expenses and sometimes did not include an explanation as to the nature of the expenses. The purpose of the expense is necessary to determine whether the expense was personal or necessary for conducting official union business.

## 2. Others

Some cancelled checks for the period of the audit were not retained. Checks which were voided and not issued were not retained.

Not all deposit slips were retained and some disbursements lacked supporting documentation such as a contract or an invoice.

As agreed, provided that Local 1 maintains adequate documentation as discussed above, no additional enforcement action will be taken regarding these violations.

I strongly urge Local 1 to adopt clear guidelines regarding what types of expenses personnel may charge with union credit cards and what types of out-of-pocket expenses personnel may be reimbursed. Our office is readily available to provide guidance to you regarding the requirements of the LMRDA as it would pertain to any policies your union might adopt. When written guidelines are adopted in the near future, I would appreciate it if you would provide a copy to this office.

## Reporting Violations

The CAP 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-2) filed by Local 1 for fiscal year ending December 31, 2005, was deficient in that:

LM-2 Item 24 (All Officers and Disbursement to Officers) Some payments to officers were not properly reported. Local 1 failed to include some reimbursements to officers and employees in the amounts reported in Item 24. Direct disbursements to officers and employees for reimbursements of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 9 and 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while

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July 31, 2006  
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traveling on union business must be reported in Schedule 13 (Office and Administrative Expenses). Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements).

I am not requiring that Local 1 file an amended LM-2 for 2005 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

I want to extend my personal appreciation to Operating Engineers Local 1 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 be of any assistance in the future, please do not hesitate to call.

Sincerely,

A thick, black horizontal line used to redact the signature of the investigator.

Investigator