



DEC 7 2005

Mr. Donald Wightman
President
Utility Workers Union of America, AFL-CIO
888 16th Street, NW
Washington, DC 20006

Dear Mr. Wightman:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has recently completed a compliance audit at your headquarters under the International Compliance Audit Program (I-CAP). The purpose of this audit was to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) by the Utility Workers Union of America, AFL-CIO (Utility Workers or IU). The I-CAP Team conducted an exit interview on November 30, 2005 with you and the Secretary-Treasurer, Mr. Gary Ruffner, to review its findings, including the issues and problem areas identified during the audit as well as actions recommended to correct deficiencies and enhance internal control.

You were informed at the exit interview that an amended Labor Organization Annual Report Form LM-2 for the fiscal year ending December 31, 2004 is required to be submitted within thirty days from the date of this letter to correct reporting and other deficiencies. In addition, the IU will submit a response to this closing letter, also within thirty days from the date of this letter. Specific information on the deficiencies identified during the audit is presented below. We will schedule an on-site follow-up in approximately six months to review corrective actions taken, to discuss the amended Form LM-2 filed by the IU, and to continue cooperative efforts to prevent and/or correct LMRDA deficiencies. This letter does not purport to be an exhaustive list of all possible problem areas since the audit was limited in scope.

AUDIT DETAILS:

Reporting Deficiencies - LMRDA Section 201

Section 201(b) of the LMRDA requires that unions file with OLMS an annual financial report that accurately discloses the unions' financial condition and operations. The following deficiencies were noted on the Utility Workers Form LM-2 for the fiscal year ended December 31, 2004.

1. The Form LM-2 instructions require that all descriptions identify the specific purpose of disbursements. Several entries reported on the Form LM-2 were not sufficiently descriptive to identify the purpose of the disbursements or the source of the receipts. For example, Schedule 3 included separate entries for disbursements inadequately described as Prepaid Expenses and Prepaid Supplies. Schedule 14 included entries also inadequately identified as Reimbursed Personal Expenses, Miscellaneous Royalties, Miscellaneous Receipts and Convention Reimbursements. The IU has agreed to provide sufficient descriptions in future Form LM-2 filings.
2. Investments, reported on Schedule 2 and Statement A, Line 29, were not reported at Book Value. Book value is defined by the Form LM-2 instructions as the lower of cost or market. Cost of \$2,486,050 is lower than the reported market figure of \$3,174,157 on Schedule 2 and Statement A, Line 29. The IU has agreed to make the necessary corrections on an amended LM-2 report for the fiscal year ended December 31, 2004.
3. The Form LM-2 instructions for Statement B prohibit "netting" or offsetting of receipts against disbursements. Education and Publicity expenses on Statement B, Line 61 include a "netted" receipt. The IU has agreed to identify and eliminate "netting" entries in future Form LM-2 filings.

Inadequate Recordkeeping – LMRDA Section 206

LMRDA Section 206 requires that every person filing reports maintain records on the matters to be reported. These records must provide sufficient detail to permit the reports to be verified, explained or clarified and checked for accuracy and completeness. All required records must be maintained for at least five years following the date the report is filed. A number of disbursements were identified during this audit for which the required documentation was not maintained, and no adequate explanation of the IU purpose was provided. During the exit interview, Utility Workers officials were informed that back-up documentation must be maintained and retained for all disbursements, regardless of amount, for the required five year period. In addition, the IU was advised that written documentation is required to identify whether the expense was for personal or official union business.

4. The IU did not comply with the records requirements of LMRDA Section 206, and failed to provide requested documentation in a timely manner to the I-CAP team delaying the progress of the audit. The I-CAP team had selected a sample of the previous five years to determine whether the supporting documentation had been maintained and funds were used solely for union purposes. A total of 377 officers and employees disbursements were sampled. The records, provided only after several requests, revealed that not all itemized receipts for meals were maintained (28% of the sample) nor was a union purpose provided in all instances to support the disbursements sampled (49% of the sample). There was no written evidence that the disbursements had been approved by an authorized union official (94% of the sample). The IU has agreed in the future to retain all documents to support disbursements on the Form LM-2 and the Secretary-Treasurer will document approval of disbursements.
5. The IU failed to maintain logs of automobile expenses identifying the union purpose of the mileage driven by the officers and employees. The IU was informed at the exit interview that the officers and employees should maintain logs for each vehicle that detail the date, number of miles driven, and union purpose of each use. The IU has agreed to maintain the required logs.

Internal Controls

Adequate internal financial controls are essential in order for the union to fulfill its obligations under Title II and Title V of the LMRDA. During this audit, the I-CAP team identified several instances in which the IU failed to properly record transactions. Although the misclassified entries were corrected by the vendor and CPA, had they not been identified and corrected, they would have resulted in errors on the Form LM-2. Implementing additional internal controls would strengthen IU reporting and operating efficiencies and support better compliance with the LMRDA.

6. Transactions were incorrectly recorded by the senior bookkeeper and later corrected when the error was identified by either a vendor or the independent auditor. For example, the senior bookkeeper issued a check for an incorrect amount of \$11,875. The vendor returned the check. The check was voided and reissued for the correct amount of \$498.30. The bookkeeper also recorded a stop payment related to insurance of \$8,495.88 by incorrectly reflecting it as an entry to bank charges not insurance. The independent auditor corrected the error at

President Donald Wightman

year end. The I-CAP Team recommends the senior bookkeeper should receive training to improve the accuracy in recording transactions for Form LM-2 reports. The IU has agreed to provide additional on the job training to the senior bookkeeper.

7. Receipts received at the union are inadequately segregated and further documentation should be provided and retained. Currently, various staff members at the IU can perform multiple receipt functions that could result in the misuse of union funds. The I-CAP Team recommends that duties be appropriately segregated, with one staff member assigned to receive checks, list the receipt of checks, and reconcile canceled deposit slips; a second employee to record receipts in the general ledger; and a third staff member to deposit the checks at the bank on a routine basis. Finally, the I-CAP Team recommends that the IU provide pre-numbered receipts when a cash transaction takes place.
8. The senior bookkeeper currently performs all the disbursement functions at the IU. This person prepares the checks, records the checks, and disburses the checks. The IU has agreed that in the future another staff member will distribute the checks to better safeguard union funds.
9. The IU does not have a written investment policy. To ensure that funds are used in the best interest of the union, the I-CAP Team recommends the IU establish an investment policy. The IU has agreed to adopt a formal written investment policy.
10. There was inadequate approval of disbursements. The approval in most instances was limited to the signature on the checks. There were a number of errors in the amount paid that required reissuing checks. For example, during the record retention review of documents the I-CAP Team noted the senior bookkeeper issued a check to an officer for an incorrect amount of \$850.53. The officer reimbursed the IU for \$850.53 and a check was reissued for the correct amount of \$80.53. These errors would have been identified had the supporting documentation been reviewed before the check was signed. The Secretary-Treasurer has agreed to document approval of disbursements on supporting documentation.

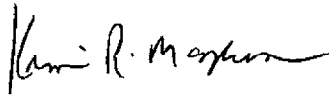
As discussed in the exit interview, the IU will submit an amended Form LM-2 for fiscal year ending December 31, 2004 and a response to this closing letter. The response letter will identify the corrective actions implemented by the union based on the results of the compliance audit. In addition, the IU has agreed that

President Donald Wightman

the Form LM-2 filed for the fiscal year ending December 31, 2005 will also reflect the findings addressed in this letter. We will schedule an on-site follow-up in approximately six months to review LMRDA compliance and the amended Form LM-2, discuss the corrective actions that have been taken, and continue cooperative efforts.

If we can be of any assistance in the future, please do not hesitate to call us.

Sincerely,

A handwritten signature in black ink, appearing to read "Kim R. Marzewski". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kim R. Marzewski, Chief
Division of International Union Audits