

## U.S. Department of Labor

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Office of Labor-Management Standards  
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July 31, 2006

Mr. John Stegeman, President/Business Manager  
Operating Engineers  
Local 1  
475 West 115<sup>th</sup> Avenue  
Northglenn, CO 80234

Re: Case No.                     

Dear Mr. Stegeman::

This office has recently completed an audit of Operating Engineers Local 1 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 John Stegeman and Breyanna De Marco on 04/07/2006, 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 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. In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 1's 2005 records revealed the following recordkeeping violations:

#### 1. Officer and Employee Expenses

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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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