

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Pittsburgh District Office
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July 7, 2006

Mr. Samuel Krumski, Treasurer
Utility Workers of America AFL-CIO
Local 492
3700 Eoff Street
Wheeling, WV 26003

Re: Case Number: XXXXXXXXXX

Dear Mr. Krumski:

This office has recently completed an audit of Utility Workers Local 492 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 June 23, 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 a violation of Title II of the LMRDA. 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 492's 2005 records revealed the following recordkeeping violations:

Union officers failed to maintain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for 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. Some examples of charges to the union credit card with no supporting documentation are Toy R Us, Sears, Kroger's, Champs, Shirts N More, TCA Union Pens, and meal charges to Hooters and Applebee's. Examples of direct expenditures without supporting documentation were the expenses related to the retirement party, specifically the checks to [REDACTED] and [REDACTED] for food and beverages.

Union officers failed to record the date and purpose of lost wage claims. Records must be maintained that identify the date, number of hours lost, rate of pay, and the specific union purpose for all lost wages. During the exit interview, we discussed the current expense voucher Local 492 uses; the voucher identifies the type of information and documentation that must be maintained for lost wages and other officer expenses, however the officers are not properly and completely filling these out.

As agreed, provided that Local 492 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(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 492 for fiscal year ending December 31, 2005, was deficient in the following areas:

- 1) Local 492 provided proof of bond coverage for \$7,500. However the LM-3 report listed in item 20 the maximum amount recoverable of \$5,000.
- 2) Local 492 provided information during the CAP that the regular dues rate is \$35 per month, not \$30 per month as reported in item 23 (a) of the LM-3 report.

- 3) The balances as shown in Item 25 (A) Start of Reporting Period and 25 (B) End of Reporting Period did not correctly reflect the balances as reported on the [REDACTED] statements for the union's general and activity fund accounts. Additionally, the balances on Local 492's check stubs as well as those balances presented in the treasurer's report presented to the membership and recorded in the meeting minutes were inaccurate. You explained at the exit interview your bookkeeping errors have created incorrect balances in the union documents.
- 4) Item 44 (Total Receipts) and Item 55 (Total Disbursements) did not correctly report the union's income and expenditures. Local 492 made a monthly transfer by check from the general fund to the activity fund and one transfer was made from the activity fund to the general fund for the retirement party. These transfers were reported as disbursements and receipts on the LM-3 report. Transfers must not be recorded on the LM-3 as union receipts and disbursements.
- 5) Local 492 failed to include reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 54 Other Disbursements. All direct disbursements to Local 492 officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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).

Local 492 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. Included with this letter is a blank form and instructions, additionally forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than July 31, 2006. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

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. Local 492 amended its bylaws in 1988, but a copy was not filed with its LM report for that year. Specifically the most recent copy on file at the Pittsburgh District Office date stamped 1984 states in Article IV, Section 2 that officer election be conducted every year for president, vice president, secretary, treasurer, and sergeant-at-arms. During the audit, Local 492 officers Sam Krumski and Joe Garcia explained Local 492 currently elects the president and treasurer in even-numbered years and the vice president and secretary in odd-numbered years, resulting in each officer serving terms of two years; this change was amended in Local 492 Bylaws dated 1988. Since Local 492 has provided a copy of its most recently dated Bylaws, no further action will be taken.

During the audit, I advised you that authorization for the salary amounts paid to union officers could not be found in union records. I recommend that Local 492 document the authorized salary amounts in its bylaws or record them in meeting minutes or some other internal document (following discussion in the appropriate membership and/or executive board meeting). When the authorized salary amounts have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

During the audit, you advised that President Joseph Garcia signs approximately 12 blank checks in advance. The countersignature 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. I recommend that Local 492 review these procedures to improve internal control of union funds.

OLMS discovered during the audit that Treasurer Samuel Krumski was entitled to receive a net salary of \$200 per month (\$2,400 for the year). He actually received \$2,800 in 2005 by receiving one additional \$200 check in December 2005 and the July 2005 check was for \$400 instead of \$200. OLMS reviewed the Local 492 combined journal-ledger, check stubs, bank statements, and canceled checks for January, February, and March 2006. It appeared that Krumski did not receive a salary check for January and February 2006, receiving his first salary check of 2006 in March 2006. At this time, therefore, no further enforcement action will be taken.

Mr. Samuel Krumski

July 7, 2006

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I want to extend my personal appreciation to Utility Workers Local 492 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

cc: President Joseph Garcia
Vice President Robert Lewis