

## U.S. Department of Labor

Employment Standards Administration  
Office of Labor-Management Standards  
Houston Resident Investigator Office  
2320 LaBranch Street, Room 1107  
Houston, Texas 77004  
(713) 718-3755 / FAX: (713) 718-3757



March 16, 2005

Mark Polinard, Business Agent  
ILA Local 26  
P.O. Box 4309  
Corpus Christi, Texas 78409

Re:

Dear Mr. Polinard:

This office has recently completed an audit of ILA Local 26 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, as Amended (LMRDA). As discussed during the exit interview with you on March 11, 2005, 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 record keeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least five 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 recipients of the goods or services. The proper maintenance of union records is the personal responsibility of the individuals who are required to file the annual LM report.

ILA 26 failed to maintain records for cashing checks to receive the local's 5% of gross service charges. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

ILA 26 failed to retain all receipts that supported the local's disbursement activity. Receipts regarding the purchase of hats, the Roy Pell presentation and postage purchases were not retained. The local must retain all receipts that detail information about local's purchases.

ILA 26 failed to maintain meeting minutes. Meeting minutes are important documents that records the administrative and financial operations of the local and allow verification of the local's activities by the membership, officers and outside agencies. Minutes for the local's membership and executive board must be maintained in the local's records.

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During the audit, I advised you that authorization of the mileage amounts paid to union officers could not be found in union records. I suggest that ILA 26 take steps to record the authorized mileage amounts by discussing them at a future meeting and recording them in meeting minutes or some other internal document. When the authorized mileage payments 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.

As agreed, provided that ILA Local 26 maintains cash receipt records, receipts regarding disbursement activity, meeting minutes and documents authorization for mileage payments, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization. Annual Report (Form LM-2) filed by ILA Local 26 for fiscal year ending December 31, 2003 failed to meet the standards of acceptability.

ILA 26 failed to answer where the local's records are kept in Item 9 on the LM-2 report filed with this agency. The location of the local's records must be reported on the LM-2 report.

ILA incorrectly reported that some of the local's assets were pledged as a security or encumbered in any other way at the end of the reporting period. ILA 26 must answer "no" in Item 23 on the LM-2 report.

ILA 26 incorrectly reported its Putnam mutual fund account gains as "Other Income" in its LM-2 report. Gains realized during the audit year from mutual funds are not a cash receipt and should only be reported in Schedule 2 – Investments. ILA 26 must report income from the Paymaster payments and Container Royalty Fund in Schedule 14 and Item 54 – Other Receipts.

ILA 26 failed to correctly report the land it holds in Schedule 5- Fixed Assets. The physical location of the local's land, the cost, book value and fair market value must be reported separately in Schedule 5, line 1.

ILA 26 failed to report its purchase of a laptop and ice machine in Schedule 7 – Purchase of Investments and Fixed Assets. Additionally, these purchases must be reflected in Schedule 5 – Fixed Assets.

ILA 26 failed to correctly report monthly mileage payments to officers in Schedule 9, Column F – Disbursement for Official Business. Such payments appear to have been erroneously reported in Other Disbursements. Direct disbursements to officers and employees for reimbursement 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 a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 9 and 10.

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However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while 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.~~

ILA 26 should abandon the practice of employing a check card to make some union purchases. The countersignature requirement for checks is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, using a check card removes this safeguard, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your checking account disbursement method.

It is strongly suggested that ILA 26 begin keeping a separate control record for their petty cash fund. Any non-deposited cash receipts and cash disbursements made by the union should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source. A separate control journal would allow a greater ease for verification by proper union officials and outside agencies

It is strongly suggested that ILA 26 redeposit excess petty cash funds that are left over from the local's service charge recovery activity during the military deployment. Petty cash funds are meant only for the local's purchase of incidental expenses and do not require a large amount of funds.

It will be necessary for ILA 26 to file an amended LM-2 report for 2003 to correct the deficient items discussed above. The amended report should be submitted to this office at the above address as soon as possible, but no later than 3/31/05. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided are shared with all of the officers of your Local.

I want to thank you for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

F(C)

Investigator

cc: President Will Doiron