



January 6, 2011
Mr. Donald Jones, Financial Secretary
IUE Communications Workers Local 86787
1121 Hampshire Lane
Suite 210
Richardson, TX 75080-4248

Case Number: [REDACTED]
LM Number: 027270

Dear Mr. Jones:

This office has recently completed an audit of IUE Communications Workers Local 86787 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 and President Larry Smith on December 16, 2010, 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.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records 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, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation 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 union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Local 86787's 2009 records revealed the following recordkeeping violations:

1. Lost Wages

Local 86787 did not retain adequate documentation for lost wage reimbursement payments to officers or members. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 86787 completed a voucher with the officer/member name, hours lost, date, rate of pay, but did not list the specific union business conducted. Local 86787 did not retain any verifying documentation from the employer.

2. Failure to Record Receipts

Local 86787 did record in its receipts records the miscellaneous income received but did not retain the supporting documentation totaling \$217.96. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

3. Failure to Maintain Hotel and Airfare Receipts

Local 86787 did not retain adequate documentation for travel related expenses. Local 86787 did not require officers/members to submit their hotel or airfare receipts totaling \$5,299.79.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

Reporting Violation

The audit 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 86787 for the fiscal year ended September 30, 2009, was deficient in the following area:

Other Disbursements

Local 86787 erroneously reported \$18,914.86 in Item 54 Other Disbursements which should have been reported in Item 48 Office & Administrative Expense.

The union must report disbursements for its ordinary office and administrative expenses (for example, rent, organizing, and phone bills) in Item 48 Office & Administrative Expense.

I am not requiring that Local 86787 file an amended LM report for 2009 to correct the deficient item, but Local 86787 has agreed to properly report the deficient item on all future reports it files with OLMS.

I want to extend my personal appreciation to IUE Communications Workers Local 86787 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,



Senior Investigator

cc: Mr. Larry Smith, President