



March 29, 2012

Mr. Rick Hilliard, Business Manager
Operating Engineers Local 318
3310 Water Tower Road
Marion, IL 62959

Case Number: [REDACTED]
LM Number: 021088

Dear Mr. Hilliard:

This office has recently completed an audit of Operating Engineers Local 318 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 March 9, 2012, 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 318's 2010 records revealed the following recordkeeping violations:

1. General Expenses and Credit Card Expenses

Local 318 did not retain adequate documentation for expenses incurred by the local totaling at least \$12,788.25. For example, a receipt or invoice could not be located for the following local disbursements: a \$1,649.25 check to Wezal's Gun Supply on June 3, 2010;

a \$2,639 check to Great Boars of Fire on June 3, 2010; two \$7,500 checks issued to Quinn-Simon for Illinois on June 17, 2010, and August 27, 2010.

In addition, Local 318 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by the business manager and a business representative totaling at least \$1,575.52. Some receipts and sufficiently itemized meal receipts were not kept. For example, the local did not maintain itemized receipts for a \$21.70 charge at Papa John's Pizza restaurant July 11, 2010, made by a business representative. A business representative also made five charges in February and March 2010 for a total of \$977.45. Receipts could not be located for these charges. Itemized receipts were not maintained for the following meal charges made by the business manager: a \$242.20 charge to Smith and Wollen on February 2, 2010; a \$43.07 charge to Crowne Plaza FB on February 16, 2010; a \$49.85 charge to Smoke Bones on February 16, 2010; and a \$24.00 charge to JP Kelly's Pub and Pack on April 21, 2010. The local did not maintain a receipt for an \$89.80 charge made by the business manager to Fox's Flowers on April 21, 2010, and for a \$77.14 charge to CVS Wholesale Flags on June 3, 2010.

As previously 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.

2. Lack of Salary Authorization

Local 318 did not maintain records to verify that the salaries reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary and allowances authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 318 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Use of Signature Stamp

During the audit the business manager advised that it is Local 318's practice to occasionally use a signature stamp on union checks. A two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 318 review these procedures to improve internal control of union funds.

Mr. Rick Hilliard

March 29, 2012

Page 3 of 3

I want to extend my personal appreciation to Operating Engineers Local 318 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,

A solid black rectangular box used to redact the signature of the investigator.

Investigator