

U.S. Department of Labor

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May 23, 2008

Mr. Richard Dickens, President
Operating Engineers
Local 513
3449 Hollenberg Drive
Bridgeton, MO 63044

LM File Number 039-895
Case Number: [REDACTED]

Dear Mr. Dickens:

This office has recently completed an audit of Operating Engineers Local 513 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, John Femmer, the local's attorney, and Charlene Trachte on May 15, 2008, 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 513's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 513 did not retain adequate documentation for credit card expenses incurred by union officers. The following represents some examples of credit card expenses without adequate back-up documentation: On January 29, 2006, Gary Broccard incurred a \$3,176.89 Westin Hotel charge on an American Express Card. On June 28, 2006, Richard Dickens incurred a \$59.35 Enterprise charge on a Master Card. On January 22, 2006, John Femmer incurred a \$496.79 Nikki Marina charge on an American Express Card. On December 7, 2006, John Lindsey incurred a \$256.19 Schnucks charge on a Master Card.

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. Meal Expenses

In some instances, Local 513 officers did not submit itemized receipts for meal expenses charged to the local's credit cards. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 513 records of meal expenses did not always include written explanations

of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

Based on your assurance that Local 513 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

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-2 filed by Local 513 for fiscal year ending December 31, 2006, was deficient in that the local's investment accounts with Enterprise Bank and Schwab were reported on the LM-2 as cash. As a result, Statement A - Assets and Liabilities, Items 22 and 29 were significantly overstated. Investments should be reported in Schedule 5 and Item 26.

I am not requiring that Local 513 file an amended LM report for 2006 to correct the deficient items. Local 513 has agreed to properly report the deficient items on all future reports it files with OLMS, including the 2007 LM-2 report.

Other Issues

1. Signing Blank Checks

During the audit, it was revealed blank checks are occasionally signed. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two-signature requirement. OLMS recommends that Local 513 review these procedures to improve internal control of union funds.

2. Spouse Travel Expenses

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The audit revealed that in one instance a spouse was authorized to incur travel expenses charged to the union credit card. The officer was supposed to reimburse the local; however, no reimbursement was received, and the local reported the expense as income for the officer and the officer was issued a federal tax form 1099. It is recommended that in such circumstances, the local be reimbursed for the charge. It is also recommended the local consider prohibiting such spousal charges and adopt guidelines concerning such matters.

I want to extend my personal appreciation to Operating Engineers Local 513 for the cooperation and courtesy extended during this compliance audit. I 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: John Femmer, Financial Secretary