

U.S. Department of Labor

Employment Standards Administration  
Office of Labor-Management Standards  
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April 11, 2005

Richard Konrad, President  
PACE Local 70475, AFL-CIO

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Re:

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Dear Mr. Konrad:

This office has recently completed an audit of PACE Local 70475 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 yourself and Ms. Tompkins on March 30, 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.

Recordkeeping Violations

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.

The following record keeping deficiencies were revealed during the audit of Local 70475's records:

- 1) Union officers and employees failed to retain adequate documentation for reimbursed expenses and expenses charged to union credit cards including lodging, meals and software purchases. As an example, several software purchases were made using the credit card assigned to Carol Tompkins, but no supporting documentation was retained for those expenses. As another example, no supporting documentation was retained for a lodging expense charged to the credit card assigned to you.

Local 70475 maintained receipts for meal expenses incurred by officers, but failed to provide additional documentation identifying the name(s) of those present as well as the business purpose of the expenses.

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 paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded. With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of

original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a 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.

- 2) Adequate records were not maintained to account for monies collected from the sale of Christmas party tickets sold by stewards. At a minimum, records must identify the date, purpose, identity of each person who sold tickets, and the amount received from each ticket seller. Local 70475 must maintain records that report how many tickets were assigned to each seller and that ticket sellers have accounted for the number of tickets provided to them by returning any unsold tickets plus money equivalent to the number of tickets sold.
- 3) Local 70475 failed to retain an inventory gift certificates and other property which was purchased and given away. Records must be retained which account for all union property.

Local 70475 gave away over \$1,500 in gift cards and door prizes at the annual Christmas party. The local purchases the Christmas party gifts and prizes in advance of the party and has these gifts on hand for a period of time before they are given away. The local also purchased more \$1000 in gift certificates for attendance prizes at membership meetings. These gift certificates are purchased in bulk at various times throughout the year. The type, value, and recipient of any property given away by the union must be recorded in union records. Records must be maintained to support how disbursements for such items are reported on the LM-3.

- 4) The local also failed to retain original documentation (an original is never a copy) to support the payment to Van Abel's for food and beverages at the Christmas party that took place in December of 2003, the DJ receipt for that same Christmas party, as well as another Van Abel's receipt for drinks and food in November of 2004. As previously discussed above, all original bills, invoices, and receipts must be retained.

As agreed, provided that Local 70475 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

#### Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 70475 for fiscal year ending December 31, 2003 was deficient in the following areas:

- 1) Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of

"No," because Local 70475 gave away items values at more than \$2,500 at the Christmas party and membership meetings.

The type and value of any property received or given away must be identified in the additional information section of the LM report with the identity of the recipient(s) or donor of such property.

- 2) Local 70475 failed to include some reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 48 (Office and Administrative Expenses) and Item 54 (Other Disbursements).

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column E of Item 24 (Allowances and Other Disbursements). 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 E of Item 24. 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 Item 48 (Office and Administrative Expenses).

I am not requiring that Local 70475 file an amended LM-3 report for 2003 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

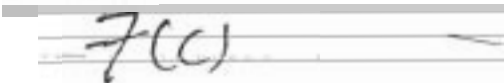
#### Other Issues

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local 70475 recently amended its constitution, but a copy of the constitution and bylaws was not filed with Local 70475's LM-3 report for that year.

A copy of Local 70475's constitution and bylaws has now been filed.

I want to extend my personal appreciation to you and Ms. Tompkins for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,



Investigator

cc: Carol Tompkins, Secretary-Treasurer  
Patrick Blashka, Recording Secretary  
Jenny Schumacher, Trustee

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