

U.S. Department of Labor

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January 7, 2005

Karl Beetschen, President  
United Transportation Union Local 281

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Re: ' 2

Dear Mr Beetschen:

This office has recently completed an audit of United Transportation Union Local 281 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 Timothy Madole on December 18, 2004, 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. 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 following recordkeeping violations were revealed during the audit of UTU Local 281's 2003 records:

1. Vouchers submitted by **7(c)** for lost time do not identify the number of hours lost and the rate of pay. The lost time claims must identify each date lost time was incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted.
2. Local 281's officers and employees failed to retain adequate documentation for some reimbursed 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.

As an example, Mr. Madole was reimbursed for office supplies on 01/19/03 and 07/21/03, but there was no invoice or receipt present in the local's records for that expense. As another example, **7661** was reimbursed for expenses in November and December 2003, but there were no invoices or receipts present in the local's records for those expenses.

Unions that reimburse their personnel for actual expenses incurred must retain receipts for all business expenses in cases where receipts are readily obtainable, regardless of the amount or nature of the expense. If a receipt is not obtainable, the individual incurring the expense should document on some other record all of the relevant information regarding the expense, including the date, amount, item(s) purchased, location (vendor name), and business purpose or reason for the expense. Unions are not required to retain receipts for meal expenses paid through a per diem (or allowance) system.

3. The audit revealed that check number 1333, date 12/18/03 for \$350.00 was made payable to cash. No supporting documentation, such as an invoice or a receipt, for this check was retained. Mr. Madole indicated in the organizational interview that this check was for the local's Christmas Party. The date, amount, and business purpose of every expense must be recorded on at least one union record.

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.

4. Local 281 failed to retain IRS W-2 forms and the 990 tax return for 2003. All records created or used in the course of union business must be retained for a minimum of five years, including voided checks.
5. Mr. Madole indicated that Local 281 has not retained records for some of the past five years. You and Mr. Madole are required to file labor organization annual reports with OLMS, and are responsible for maintaining records which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. Section 206 of the LMRDA requires that records be kept for at least five years after the date that a report is filed. Any records

necessary to verify, explain, or clarify the report must be retained, including, but not limited to, vouchers, worksheets, receipts, and applicable resolutions.

As agreed, provided that Local 281 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding these 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 281 for fiscal year ending December 31, 2003 was deficient in the following areas:

1. Some payments to officers for expenses and lost time were not properly reported in Item 24. (All Officers and Disbursements to Officers). For example, reimbursements for payments to Mr. Madole for some expenses were not included in the total amounts to or for him that are reported in Item 24, Column E of the LM-3.
2. Item 25(A) (Cash) is deficient because the cash figure reported does not match Item 25(B) (Ending Cash) from the LM-3 filed for fiscal year ending 12/31/2002. The amount listed in Item 25(A) must match the entry in Item 25(B) from the previous LM report or additional information must be entered in Item 56 (Additional Information) on the front of the LM-3.

I am not requiring that Local 281 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

1. At the beginning of the audit, Mr. Madole advised that you sign blank checks in advance. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.
2. 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 281 amended its constitution and bylaws, but a copy of the constitution and bylaws was not filed with OLMS.

Two copies of Local 281's constitution and bylaws have now been filed.

I want to extend my personal appreciation to Mr. Madole's for his cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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cc: Timothy Madole, secretary and treasurer

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