

U.S. Department of Labor

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December 29, 2004

Linda McCullough
Treasurer, Longshoremens Association Local 805

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Re: 2

Dear Ms. McCullough:

This office has recently completed an audit of Longshoremens Association Local 805 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, as Amended (LMRDA). As discussed during the exit interview with you and Bernard O'Donnell on October 18, 2004, and in our follow-up conversation on December 29, 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.

The CAP disclosed the following record keeping deficiencies:

Union officers failed to retain any documentation for reimbursed expenses. Examples of such missing documentation include invoices for professional fees (those charged by the law firm and the accounting firm), utility bills, and receipts for travel expenses and purchase of office supplies. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, some checks which were voided and not issued were not retained.

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. 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 805's LM report. You should be aware that Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records. Section 209(c) of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful destruction or falsification of records, and applies to any person (not just the individuals who are responsible for filing the union's LM report).

As agreed, provided that Local 805 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation. As discussed during the exit interview, current receipt records should also be updated to show how bank deposit amounts correspond to total dues payments by

union members. Currently, receipts are given to members upon payment of dues, but there is no method of determining how bank deposits correspond to which members' dues payments. A log should be kept which shows the daily or weekly totals for receipt of cash dues. These daily or weekly totals can then be matched with the amounts deposited into union bank accounts.

The CAP also disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 805 for fiscal year ending December 31, 2002 was deficient in the following areas:

1. Item 24, Line 10 "Less Deductions" – the union neglected to report deductions for FDIC and related state taxes for all officers. The missing figure also affected Item 45, cash disbursements "To Officers," leading to an incorrect figure for total disbursements.
2. Item 25, "Cash" at the start and end of the reporting period – the reported cash figures for both columns were incorrect and did not correspond to the cash amounts in the union's bank accounts (as reported in the bank statements).
3. During the audit, union officers failed to declare the existence of a separate checking account for the International Longshoremens Building and Maintenance Fund. This checking account is funded by transfers from Locals 799, 800, and 805. However, none of the locals report these assets as part of their total cash assets. As Treasurer McCullough of Local 805 serves as the current administrator of the fund, the total cash assets in this account should be added to the figure for Local 805's total cash assets, and reported in Local 805's LM-3 report. The \$300.00 received monthly from Locals 799 and 800 should be reported in Item 43 "Other Receipts," while the disbursements made from this checking account should be reported in Item 54 "Other Disbursements."
4. Treasurer McCullough received \$600.00 per year to perform the administrative tasks associated with running the Building and Maintenance fund, including depositing receipts and writing checks. The \$600.00 was not reported in the LM-3 report. This allowance should be included in Item 24, Column (E) next to Treasurer McCullough's name.

As required by Section 201(b) of the LMRDA, you agreed to amend the December 31, 2002 LM-3 Report. I have already received a faxed copy of the amended report. Please return the original copy of the amended report to the address noted in the letterhead, and to my attention.

Lastly, authorization of the salary amounts paid to the individual [redacted] could not be found in the union records. You informed me verbally that [redacted] was paid \$400.00 monthly to clean the hiring hall. I suggest that Local 805 take steps to record the authorized salary amounts by discussing them at a future meeting and recording them in meeting minutes or some other internal document.

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

[redacted]
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Investigator