



September 10, 2010

Mr. Greg Greer, Business Manager  
Operating Engineers Local 647  
P.O. Box 29  
Knob Noster, MO 65336

Case Number: [REDACTED]  
LM Number: 009891

Dear Mr. Greer:

This office has recently completed an audit of Operating Engineers Local 647 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 Tammy Greer on September 9, 2010, 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 647's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 647 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$3,400. For example, Business Manager Greg Greer was reimbursed at least \$950 for hotel expenses during the audit year, but did not retain receipts for these expenses.

As 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. Meal Expenses

Local 647 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,100. 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.

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

3. Receipt Dates not Recorded

Entries in Local 647's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

4. Lack of Salary Authorization

Local 647 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 647 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-3) filed by Local 647 for fiscal year ending September 30, 2009, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 647 did not include some reimbursements to officers totaling at least \$1,700 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 647 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 647 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year.

Local 647 has now filed a copy of its constitution and bylaws.

3. Item 17 (LM-3)

Local 647 employee Tammy Greer was paid more than \$10,000 during the local's 2009 fiscal year, but Item 17 of the LM-3 report was answered "no". The Form LM-3 instructions require the local to answer Item 17 "yes" if any employee of the local received more than \$10,000 in gross salary, allowances, and other direct and indirect disbursements.

In addition, if Item 17 is answered "yes", the Form LM-3 instructions require that your organization to report in Item 56 (Additional Information) the name and position of each Local 647 employee and the total disbursements made to each employee by your organization.

4. Receipts/Disbursements

Local 647 incorrectly reported the amounts in Item 44 (Total Receipts) and Item 55 (Total Disbursements) of the LM-3 report. Under Statement B of the LM-3 report, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

I am not requiring that Local 647 file an amended LM report for 2009 to correct the deficient items, but Local 647 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Lost Wage/Expense Policy

As I discussed during the exit interview with you, a review of documents obtained from the employer regarding an officer of your local revealed that this officer was paid at least \$1,000 in lost wage payments during the audit year while also receiving paid time off from the employer. As discussed, in the future, please compare employer work history records against local records to verify that all lost wage payments are properly authorized.

The audit also revealed that Local 647 does not have a clear policy regarding officer lost wage reimbursements. OLMS recommends that your lodge adopt clear policies and procedures for making lost wage or similar payments and use vouchers that require detailed information to support lost wage payments.

In addition, your local should consider establishing a separate policy regarding pay for work a union official does on his or her own time (where there is no lost time) such as in the evenings or on weekends.

I want to extend my personal appreciation to Operating Engineers Local 647 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,



Investigator

cc: Mr. Pete Garcia, President