

**U.S. Department of Labor**

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June 21, 2007

Ms. Kim Smith, President  
PACE, AFL-CIO  
Local 508  
1073 E. Montague Avenue  
North Charleston, SC 29405

LM File Number 029-951

Case Number: [REDACTED]

Dear Ms. Smith:

This office has recently completed an audit of Pace Local 508 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 Eloise Mosley, Milton Youson, Clay Ann Simmons, and Ronnie Brock on March 9, 2007, 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 adequate records be maintained for at least 5 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 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 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.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 508's 2005 records revealed the following recordkeeping violations:

### Officer and Employee Expenses

Union officers and employees failed to maintain adequate documentation for reimbursed expenses for lodging, airline, and office supplies expenses that were paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record.

As agreed, provided that Local 508 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding this violation. The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 508's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can also result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 applies to any person, not just the individuals who are responsible for filing the union's LM report.

### Reporting Violations

The CAP 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 508 for fiscal year ending December 31, 2005, was deficient in the following area:

#### LM-3, Item 25(a), Cash at the start of the reporting period

The local failed to properly report a savings account, [REDACTED] held with Charleston Papermill Federal Credit Union on the LM-3 Report for 2003, which caused deficient filing for LM-3 Reports for fiscal years ending 12/31/2004 and 12/31/2005.

Local 508 must file an amended Form LM-3 for fiscal year ending 12/31/2003, 12/31/2004, and 12/31/2005, to correct the deficient item discussed above. I discussed with your financial secretary/treasurer the availability of the reporting forms and instructions on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). Your amended LM Reports were received in the OLMS office on March 15, 2007.

**Other Issues**

The audit disclosed the following other issues:

1. Meeting Minutes

Local 508 failed to record minutes of all membership meetings. I strongly recommend that meeting minutes from all membership and executive board meetings be taken to improve the internal control of union funds.

2. Checking and Savings Account Signature Cards

Local 508 failed to remove past officers from the signature cards on file at Wachovia Bank and Charleston Papermill Federal Credit Union for the local's checking and savings account. I strongly recommend the local update the signature cards at the bank and credit union to reflect the current officers for the local.

3. Receipts

During the months of March and December 2005, the financial secretary/treasurer failed to deposit receipts in a timely manner. I strongly recommend all receipts are deposited in a timely manner to improve the internal control of union funds.

4. No Authorization for Salaries

During the audit, you advised that the salary amounts paid to union officers is based on past practice of the local and is not documented in union records. I recommend that Local 508 document the authorized salary amounts in its bylaws or record them in meeting minutes or some other internal document, following discussion in the appropriate membership and/or executive board meeting. When the authorized salary amounts have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

I want to extend my personal appreciation to PACE Local 508 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you share this letter and the compliance assistance materials provided to your staff with to future officers. If we can be of any assistance in the future, please do not hesitate to contact me.

Sincerely,

  
Investigator

cc: Eloise Mosley  
Financial Secretary/Treasurer