

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Boston District Office  
Room E-365  
JFK Federal Building  
Boston, MA 02203  
(617)624-6690 Fax: (617)624-6606



October 8, 2009

Mr. Patrick Hannon, President  
Utility Workers AFL-CIO Local 273  
11 Fuller Street  
Carver, MA 02330

LM File Number 047-231  
Case Number: [REDACTED]

Dear Mr. Hannon:

This office has recently completed an audit of UTU Local 273 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 officers Downey and Gurney on October 5, 2009, 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 violations:

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 273's 2008 records revealed the following recordkeeping violations:

1. Lost Wages

Local 273 did not retain adequate documentation for lost wage reimbursement payments for all of the local's officers totaling at least \$13,437.95. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 273 retained lost wage claims that identified the date, the rate of pay, and the number of hours lost on each date, but failed to identify union business being conducted by officers.

During the exit interview, I provided a sample of an expense voucher Local 273 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Disposition of Property

Local 273 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

Based on your assurance that Local 273 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 LM-3 filed by Local 273 for fiscal year ending 12/31/08 was deficient in the following area:

#### 1. Disbursements to Officers (LM-3)

Local 273 did not include some reimbursements to officers totaling at least \$13,437.95 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48, office and administrative expense.

The union must report most direct disbursements to Local 273 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. Certificates of Deposit Reported As Investments

Local 273 improperly included the value of two flexible savings certificates that are cash equivalents as investments in Statement A, Assets and Liabilities. For LM reporting purposes, OLMS considers these savings certificates to be cash. The purchase or redemption of a savings certificate is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

I am not requiring that Local 273 to file an amended LM report for 2008 to correct the deficient items, but Local 273 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 273 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Members of Local 273 pay money directly to the union for initiation dues, tickets to social/fundraising events, and for the purchase of various items of clothing apparel that the union sells. Treasurer Downey records these payments in the union's receipts journal, but she does not issue receipts to individual payers. OLMS recommends that Local 273 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned

I want to extend my personal appreciation to UTU Local 273 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,

Mark Letizi  
District Director

Mr. Patrick Hannon  
October 8, 2009  
Page 5 of 5

cc: Janice Downey, Treasurer  
Herb Gurney, Secretary