U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Seattle District Office
1111 Third Avenue
Room 605
Seattle, WA 98101-3212
(206)398-8099 Fax: (206)398-8090

April 3, 2007

Mr. John Masterjohn, Secretary/Treasurer
Columbia Basin Irrigation Council
2800 1st Avenue #301
Seattle, WA 98121

Re: Case Number: [redacted]

Dear Mr. Masterjohn:

This office has recently completed an audit of Columbia Basin Irrigation Council (CBIC) 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 Lynn Malaspino and yourself on April 2, 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.

The audit of Columbia Basin Irrigation Council's (CBIC) 2006 records revealed the following recordkeeping violations:

- Some checks that were voided and not issued were not retained.
- Authorization was missing to document monthly payments to the bookkeeper for the bookkeeping services she provided to the CBIC. You were advised that in your next executive board meeting, you should discuss and authorize the bookkeeper's salary and record approval of the salary in the meeting minutes or other internal document. When the authorized salary has been recorded in

union records, please forward a copy of the record documenting the authorization to me at the above address.

As agreed, provided that the CBIC maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations:

The CAP also disclosed a violation of the 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 the CBIC for fiscal year ending December 31, 2006, was deficient in the following areas:

- The CBIC failed to include in Item 24 reimbursements to officers for mileage for attendance at meetings (All Officers and Disbursements to Officers). All direct disbursements to CBIC officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) for cash, property, goods, services, or other things of value received by or on behalf of an officer.
- Item 32(c) and (d) and item 36(c) and (d) on the LM-3 report should be completed with a "0" since the CBIC has no accounts payable and no liabilities.

The Columbia Basin Irrigation Council must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I provided you with instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than April 20, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

During the audit, you advised that Willis Filan is the required counter signatory for CBIC checks and that he occasionally signs 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. I recommend that the CBIC review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Columbia Basin Irrigation Council 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,

[redacted]
Investigator

cc: Willis Filan