U.S. Department of Labor

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January 25, 2007

Mr. Eugene Opatkiewicz, President
GCIU, Local 27
828 Ellicott Square Bldg.
Buffalo, NY 14203

Re: Case No. [redacted]

Dear Mr. Opatkiewicz:

This office has recently completed an audit of GCIU, Local 27 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 Secretary Treasurer Dave Mecca, Recording Secretary Mike McFarland, and several of your executive board members on January 23, 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.

The CAP disclosed the following:

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 27 for fiscal year ending June 30, 2006, was deficient in the following area:

- Local 27 failed to include some reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in item 48. All direct disbursements to Local 27 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 for cash, property, goods, services, or other things of value received by or on behalf of an officer.

- Local 27 erroneously reported the gross amount paid to Secretary Florence Galley in item 46, To Employees (less deductions). The amount actually paid to employees (after deductions) should be reported in item 46. Taxes withheld from salaries of officers and employees must be reported in Item 54. The enclosed Form LM-3 instructions will instruct you where to report any further deductions.

I am not requiring that Local 27 file an amended LM report for 2006 to correct the deficient items, but as agreed, Local 27 will properly report the deficient items on all future reports filed with this agency.

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.

- Local 27 failed to maintain an inventory of union assets, including office equipment and furniture. Records must be maintained that account for all union property. An inventory list was provided during the exit interview.

As agreed, provided that Local 27 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Other Issues

The audit disclosed the following other issues:

- During the audit, you advised that President Opatkiewicz occasionally signs blank checks in advance. Your union's bylaws require that all checks be signed by the president and treasurer. 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 Local 27 review these procedures to improve internal control of union funds.

- It is important that officers and employees use care in their recordkeeping to ensure that union records are complete and accurate. Double checking figures and regularly reconciling union records with bank records reduces the opportunity for error. Local 27's records contained the following errors:

    - There were several transposed number in both receipts and disbursements journals
    - Journal totals contained addition errors
    - Bank fees were not consistently included in the disbursement journal

- Local 27 is approximately $100,000 in arrears with their per capita tax. A review of union records and discussions with local officers and employees regarding the problems with per capita tax indicate that the local does not have a good understanding of how and when these problems began. The per capita records are not in order, and local 27 is regularly behind in filing monthly per capita reports with the international; resulting in the local paying per capita tax on members who are no longer members.

- Title V, Sec. 501 (a) of the Labor Management Reporting and Disclosure act outlines the Fiduciary Responsibility of Officers of Labor Organizations. The act specifically states that fiduciary responsibility is the duty of each person (***all*** officers, agents, shop stewards, and other representatives of the labor organization). All members of the executive board are responsible for the fiscal operations of Local 27. As discussed during the opening interview it is essential for the local to have a system of checks and balances, which prevent one

individual from having complete autonomous control over local finances. The current board members were encouraged to take an active roll in reviewing the current operating expenses and procedures.

- The Local 27 officers who were present at the exit interview raised several questions regarding LMRDA Section 504, Prohibition against Certain Persons Holding Union Office or Employment. Further information on section 504 has been enclosed.

I want to extend my personal appreciation to you, Secretary Treasurer Dave Mecca and [redacted] 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:
Executive Board Members
CPA Ron Toski

Enclosures