

**U.S. Department of Labor**

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June 2,2008

Mr. Edwin Rios, Treasurer  
Food & Commercial Workers  
Local Union 31T  
PO Box 1335  
Kulpsville, PA 18041-1335

LM File Number 035-076  
Case Number: [REDACTED]

Dear Mr. Rios:

This office has recently completed an audit of Food & Commercial Workers Local Union 31T 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 President Paul Nace on May 16,2008, 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 31T's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 31T did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$4500. For example, President Paul Nace made a charge to the union's credit card at Pit Stop Tavern totaling \$429.27 for a contract meeting. However, no receipt was retained in support of that charge. In addition, the union was missing a credit card statement for the month of May 2007. During the audit, the union obtained the missing statement from the credit card company.

As previously 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 31T did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$2500. 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.

Local 31T records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, President Nace charged a meal totaling \$228.64 at Red Lobster. The audit revealed that the union purpose of the meal was for the officers of the union to discuss contract negotiations, however the purpose of the meal and the officers that attended the meal were not recorded on a union document. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

### 3. Lost Wages

Local 31T did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$4800. 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 31T was not maintaining any document that supported lost wage claims.

During the exit interview, I provided a sample of an expense voucher Local 31T 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.

### 4. Information not Recorded in Meeting Minutes

During the audit, you and Mr. Nace advised OLMS that the executive board authorizes Local 31T's expenses at its meetings. Article VII, Section 1, of your union's bylaws reads "The President shall disburse the Local Union's funds and...disbursement shall be authorized or ratified by the Local Union Executive Board." It goes on to read that "The Local Union President shall determine the compensation and expenses, or expense policy, for all personnel employed or retained by the Local Union, subject to the approval of the Local Union Executive Board." However, the union is not maintaining executive board meeting minutes, as required in Article VII, Section 1D of your bylaws, to document union expenses that were approved by the executive board. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Since discussing this matter with you and Mr. Nace during the audit exit interview, the union has started to maintain executive board meeting minutes.

### 5. Lack of Salary Authorization

Local 31T did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was 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. During the audit, the union provided documentation showing the necessary approval for authorization of salary.~~

Based on your assurance that Local 31T 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 31T for fiscal year ending September 30, 2007, was deficient in the following areas:

##### 1. Disbursements to Officers

Local 31T did not include some reimbursements to officers totaling at least \$2700 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense).

The union must report most direct disbursements to Local 31T 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 31T amended its

~~constitution and bylaws at an unknown time, but did not file a copy with its LM report for that year.~~

Local 31T has now filed a copy of its constitution and bylaws.

Local 31T must file an amended Form LM-3 for fiscal year ending September 30, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://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 June 20, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issue

Expense Policy

As I discussed during the exit interview with you and Mr. Nace, the audit revealed that Local 31T 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.

I want to extend my personal appreciation to Food & Commercial Workers Local Union 31T 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: President Paul Nace  
Recording Secretary Eileen Singer