U.S. Department of Labor

Employment Standards Administration Office of Labor-Management Standards Resident Investigative Office 950 22nd Street North, Suite 601 Birmingham, Alabama 35203



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January 12, 2007

Kenneth Holloway President PACE, LU 692 Post Office Box 430 Childersburg, Alabama 35044-0430 OLMS Case No. Your File No. 044-537

Dear Mr. Holloway:

This office has recently completed an audit of Paper, Allied-Industrial, Chemical and Energy (PACE), Local Union 692, 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 on December 14, 2006, during the exit interview with Karen "Jane" Guy, the local's recording and financial secretary, 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:

Record Keeping 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 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, 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. The following record keeping deficiencies were disclosed during the audit of LU 692s records:

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I am not requiring that Local 692 file an amended LM report for 2005 to correct the deficient items, but as agreed, the local will properly report the deficient items on all future reports filed with this agency

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Other Issues

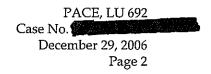
During the audit, I advised Secretary Guy that authorization for the salary amounts paid to union officers could not be found in union records. While she referred me to the PACE Bylaws, Article VI, Section 4, the provision therein cited was insufficient to comport with the requirements of law. Specifically, the provision authorized salaries for the local's "President, Executive Vice-President, (and) Recording / Corresponding / Financial Secretary." I recommend that Local 692 document the authorized salary amounts in its bylaws, when updated, or record them in the 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 692, 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,

Investigator

cc: Karen "Jane" Guy, Recording and Financial Secretary



Duplicate Receipts

The local does not issue or retain receipts. For example, the union regularly rents the union hall to individuals or organizations not affiliated with the union. When rental money is accepted, receipts are not issued to substantiate the transaction. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

As agreed, provided that Local 692 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

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 LM-3 report filed by Local 692 for fiscal year ending December 31, 2005, was deficient in the in the following areas:

LM-3 Item 24 (Payments to Officers)

The name of one officer was not reported in Item 24 of the LM-3 report (All Officers and Disbursements to Officers). All persons who held office during the year must be reported in Item 24 regardless of whether or not they received any salary or compensation from the union. In this particular instance, who according to Secretary Guy served as a trustee, was not listed in the report.

Fixed Assets

In Item 29 of the LM-3 report for fiscal year ending December 31, 2005, fixed assets were indicated as being cumulatively valued at \$35,980. Upon questioning, Secretary Guy stated that at some point in the past, someone developed that figure and it has been reported ever since. In reviewing the LM-3 reports, I can attest that that figure has been used since at least fiscal year ending December 31, 2003. In reviewing the union's records, supporting documentation exists that demonstrates that the union owns property in excess of \$100,000. All fixed assets, including property owned, must be reported in Item 29.