



December 12, 2023

Mr. Jeffery O'Leary, President
Sealol Shop Union
P.O. Box 16128
Rumford, RI 02916

Case Number: 110-6027450()
LM Number: 044-442

Dear Mr. O'Leary:

This office has recently completed an audit of Sealol Shop Union 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 Treasurer Kevin Verchot on November 30, 2023, 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 Sealol Shop Union's 2022 records revealed the following recordkeeping violations:

1. Meal Expenses

Sealol Shop Union did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$869. 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.

Sealol Shop Union's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, check number 2400 included an amount of \$472.52 for reimbursed meal expenses. The three receipts provided were not itemized, failed to record the purpose of union business and did not list individuals in attendance. 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.

2. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$190 during 2022. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Lost Wages/Authorization

Sealol Shop Union did not retain adequate documentation for almost all lost wage reimbursement payments to union officers and employees. 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 Sealol Shop Union retained lost time vouchers with hours listed but did not include an adequate description for the union business conducted, nor did they include the exact date that hours were lost. Additionally, the union must keep a record, such as meeting minutes, to show the current wages authorized by the entity or individual in the union with the authority to establish wages.

Included in this letter is a compliance tip sheet, *Union Lost Time Payments*, that contains a sample of an expense voucher Sealol Shop Union 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. Direct Disbursements to Vendors

Sealol Shop Union did not maintain adequate records for disbursements to vendors totaling at least \$1,912. The union must maintain itemized receipts and/or invoices provided by merchants and vendors. 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.

Based on your assurance that Sealol Shop Union 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 (Form LM-3) filed by the Sealol Shop Union for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Sealol Shop Union did not include some reimbursements to officers totaling at least \$1,130 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 Sealol Shop Union 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.

2. Total Receipts and Disbursements

It appears that the total receipts and total disbursements in Item 44 (Total Receipts) and Item 55 (Total Disbursements) do not correspond to the union's total receipts and disbursements collected or disbursed during the period according to Local 134's books, therefore affecting the union's ending balance in Item 25 (Cash) after reconciliation to the bank statements. Failing to report the total receipts received or the total disbursements as represented in the union's records will result in incorrect cash figures.

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to the Sealol Shop Union's books after reconciliation to the bank

statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

I am not requiring that Sealol Shop Union file an amended LM report for 2022 to correct the deficient items, but Sealol Shop Union has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Sealol Shop Union's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Expense Policy

As I discussed during the exit interview with you and Treasurer Verchot, the audit revealed that the Sealol Shop Union does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Sealol Shop Union for the cooperation and courtesy extended during this compliance audit. I 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

Enclosure