

U.S. Department of Labor

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Office of Labor-Management Standards
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July 15, 2008

Mr. Eduardo Dubin, Secretary-Treasurer
PASNAP
Local 709
27563 Bristol Court
Milton DE, 19968

LM File Number 529-069
Case Number: [REDACTED]

Dear Mr. Dubin:

This office has recently completed an audit of PASNAP Local 709 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 on June 13, 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 receipt and disbursement for 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 709's 2007 records revealed the following recordkeeping violations:

1. Failure to Record Receipts:

PASNAP Local 709 did not maintain any receipt records. Section 206 requires 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. Labor organizations must maintain all records used or received in the course of union.

2. Failure to Maintain Bank Records

Statements for PASNAP Local 709's checking account for the months of January and December could not be located in the union's records. These records had to be requested from the bank during the course of the audit. 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.

During the closing interview I provided you examples on how to maintain sufficient back up documentation. Based on your assurance that PASNAP Local 709 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 Organizations Annual Report (form LM-3) filed by Local 709 for fiscal year ending June 30, 2007, was deficient in the following areas:

1. Delinquent Reporting

Local 709's Labor Organization Annual Report Form LM-3 for fiscal year ending June 30, 2007 was not filed with OLMS in a timely manner. Federal law and regulations require your union to file its annual financial report, Form LM-3, with OLMS within 90 days after the end of its fiscal year. Your union's fiscal year ended on June 30, 2007. Therefore, your union's annual financial report for 2007 should have been filed by September 30, 2007. As of the start of this audit, our records showed that your report were not filed and was delinquent. Local 709 filed its Form LM-3 for fiscal year ending June 30, 2007 on April 2, 2008. I explained to you the statutory requirement to file annual financial reports within 90 days after the end of your union's fiscal year and provided OLMS publications for your reference. The local has agreed to timely file all future reports it files with OLMS.

2. Disbursements to Officers:

Local 709 did not include some reimbursements to officers totaling at least \$724 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 709 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 public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 709 file an amended LM report for 2007 to correct the deficient items, but Local 709 has agreed to properly report the deficient items on all future reports it files with OLMS.

3 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 709 amended its constitution and bylaws in 2002, but did not file a copy with its LM report for That year. As agreed, Local 709 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than July 25, 2008.

Other Violation

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

Local 709's officers and employees are currently bonded for \$5,000 but they must be bonded for at least \$7,274. Local 709 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than July 25, 2008.

I want to extend my personal appreciation to PASNAP Local 709 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 President Barbara McClay