

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
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November 30, 2009

Mr. Stephen Haugh, Treasurer  
Utility Workers  
Local 111  
429 West County Road 592  
Tiffin, Ohio 44883

LM File Number 055-054  
Case Number: [REDACTED]

Dear Mr. Haugh:

This office has recently completed an audit of Utility Workers Local 111 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 September 25, 2009, 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 111's 2008 records revealed the following recordkeeping violation:

#### Disposition of Property

Local 111 did not maintain an inventory of t-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

Based on your assurance that Local 111 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 Organization Annual Report (Form LM-3) filed by Local 111 for fiscal year ending September 30, 2008, was deficient in the following areas:

##### 1. LM-3 Report Errors

Item 11 (Net Disbursements) was not correctly carried over to item 45 (Cash Disbursements to Officers) as required by the report.

Item 29 (Fixed Assets) is incorrect because after a computer was sold in November 2007 to a member, the union has no fixed assets. Item 29, column B should be zero.

## 2. Constitution and 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 111 amended its constitution and bylaws in 2003, but did not file a copy with its LM report for that year.

Local 111 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 111 file an amended LM report for 2008 to correct the deficient items, but Local 111 has agreed to properly report the deficient items on all future reports it files with OLMS.

### 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 Local 111's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union has obtained adequate bonding coverage and provided evidence of this to OLMS. As a result, OLMS will take no further enforcement action regarding this issue.

### Other Issue

#### Signing Blank Checks

During the audit, you advised that President David Thompson signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the

authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 111 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Utility Workers Local 111 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: David Thompson, President