



September 11, 2013

Mr. Peter Knowlton, President
UE Northeast Region
1285 Acushnet Avenue
New Bedford, MA 02746

Case Number: 110-17655 [REDACTED]
LM Number: 037400

Dear Mr. Knowlton:

This office has recently completed an audit of UE Northeast Region 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 on September 9, 2013, 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 UE Northeast Region 2012 records revealed the following recordkeeping violations:

1. Union Credit Card Expenses

UE Northeast Region did not retain any documentation for union credit card expenses incurred by Regional President Peter Knowlton, totaling at least \$18,355.55. For example, \$577.50 was charged to the Region's credit card during a council meeting on June 22, 2012, with no supporting receipts.

As 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

UE Northeast Region did not require officers to submit itemized receipts for meal expenses totaling at least \$356.96. 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.

UE Northeast Region 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, no receipt was provided for \$61.71 spent at Abate Pizza Restaurant in New Haven, CT, on May 23, 2012. 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. Officer Benefits

During the audit you advised that UE Northeast Region does not record paid vacation time taken by union officers. Regional President Peter Knowlton receives five weeks paid vacation a year. Unsanctioned use of paid leave may lead to significant loss of union funds. OLMS recommends that UE Northeast Region review these procedures to improve internal control of union funds.

Other Issues

The audit disclosed the following other violation(s):

1. Use of Signature Stamp

During the audit, you advised that UE Northeast Region may start allowing the region's bookkeeper to stamp the signature of the region's president and secretary-treasurer on union checks. Article 6 of UE Northeast Region's Constitution requires that checks be

signed by the president and secretary-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, the use of a signature stamp for the president and secretary-treasurer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that UE Northeast Region review these procedures to improve internal control of union funds.

2. Signing Blank Checks

During the audit, you advised that union officers may at times sign blank checks. Your union's constitution requires that all checks be signed by the president and secretary-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 UE Northeast Region review these procedures to improve internal control of union disbursements.

I want to extend my personal appreciation to UE Northeast Region 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: Ms. Elizabeth Jesdale, Treasurer