**U.S. Department of Labor**

Employment Standards Administration
Office of Labor-Management Standards
Boston District Office
Room E365
JFK Federal Building
Boston, MA 02203
(617) 624-6690 Fax:(617) 624-6606

July 2, 2007

Mr. James Foster, President
PACE, AFL-CIO Local 01-204
PO Box 5166
Bradford, MA 01830-5166

LM File Number: 049-950
Case Number: [redacted]

Dear Mr. Foster:

This office has recently completed an audit of PACE, AFL-CIO Local 01-204 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, Treasurer David Cannata, and Trustee Rob Harrison on June 29, 2007, 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 receipts and disbursement of funds, as well as all account balances, can be verified, 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 the money. The labor organization must also retain bank records for all accounts.

The audit of Local 01-204's 2005 records revealed the following recordkeeping violations.

1. General Reimbursed Expenses

Local 01-204 did not retain adequate documentation for reimbursed expenses incurred by union officers and various union members totaling at least $10,000.00. For example, Local 01-204 disbursed $11,997.03 in expenses for the year including hotel bills, airline tickets, $175.00 in arbitration fees to American Arbitration Association, per diem for conferences, a union cook-out and $3,750.00 in gift certificates purchased from Market Baskets for union members. Local 01-204 maintained only $1443.88 in receipts. Local 01-204 also did not maintain any receipts or other documentation for $750.00 paid in rent to the VFW for the fiscal year ending December 31, 2005.

As previously 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. Lost Wages

Local 01-204 did not retain adequate documentation for lost wage reimbursement payments to union officers and various union members totaling at least $8,036.81. 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 Local 01-204 officers and various union members did not complete lost time vouchers or provide payroll verification for reimbursement of lost wages.

During the exit interview, OLMS provided you with a sample of an expense voucher Local 01-204 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.

3. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorizes and approves all of the local's large disbursement. However, Local 01-204 maintained no minutes of any union meetings from January through April of 2005. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

4. Bank Statements

Local 01-204 did not maintain savings account statements from Sovereign Bank for April through December of 2005. Local 01-204 is required to maintain all bank statements.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 01-204's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

Based on your assurance that Local 01-204 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 reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report Form LM-3 filed by Local 01-204 for fiscal year ending December 31, 2005 was deficient in the following areas:

1. Disbursements to Officers

   Local 01-204 did not include some reimbursements to officers totaling at least $3,850.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported this payment in Item 48.

   The union must report most direct disbursements to Local 01-204 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 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 (Office and Administrative Expense).

2. Cash Reconciliation

   It appears that the cash figures reported in Item 25 are not the cash figures according to the 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.

Local 01-204 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. OLMS provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov) . The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than July 11, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to PACE, AFL-CIO Local 01-204 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,

Mark Letizi
District Director

cc: Mr. David Cannata Jr., Treasurer

Mr. Rob Harrison, Trustee