



November 18, 2010

Mr. Jack Bemis, President
IFPTE Local 4
P.O. Box 2047
Portsmouth Naval Shipyard
Portsmouth, NH 03804

Case Number: [REDACTED]
LM Number: 501-648

Dear Mr. Bemis:

This office has recently completed an audit of IFPTE Local 4 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you and Treasurer Clayton Ball on November 17, 2010, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 4's 2010 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 4 did not retain adequate documentation for expenses incurred by union officers totaling at least \$700. For example, Local 4 failed to obtain supporting documentation for \$500 in expenses relating to entertainment at the union's annual Lobsterfest.

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

Local 4 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$729.88. 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.

Local 4 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, the local retained credit card receipts for various executive board and committee meetings, but did not maintain itemized receipts or the names of attendees for these expenses. 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. Receipt Dates not Recorded

Entries in Local 4's general ledger and Quicken ledger reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

4. Travel Expense Policy

During the audit, Mr. Bemis advised OLMS that Local 4 many years ago had authorized the practice of paying travelers a flat rate for incidentals and certain types of ground

transportation while traveling for union business. Although the union maintained documentation authorizing the per diem and mileage rates applicable to union business travel, Local 4 was unable to produce records of the union's policy for incidentals and ground transportation. Minutes of all membership or executive board meetings or equivalent union policy documents must report any disbursement authorizations made by the union and such records must be maintained for the duration of the time that the established policies or blanket authorizations are in effect.

Based on your assurance that Local 4 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report (Form LM-3) filed by Local 4 for the fiscal year ending ended January 31, 2010, was deficient in the following areas:

1. Disbursements to Officers

Local 4 did not include some disbursements to officers totaling at least \$4,219.83 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 Expenses).

Moreover, Local 4 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. For example, Local 4 must report the names of all executive council members at-large, even if they did not receive any payments during the audit year.

The union must report most direct disbursements to Local 4 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 (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 4 must file an amended Form LM-3 for the fiscal year ended January 31, 2010, to correct the deficient items discussed above. I provided you with a blank form and instructions. Please note that the reporting forms and instructions are also available on the OLMS website (www.dol.gov/olms). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than Monday, December 6, 2010. Before filing, please review the report thoroughly to be sure it is complete, accurate, and properly signed with original signatures.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year. Officers and employees of Local 4 are currently bonded for \$25,000; however, they must be bonded for at least \$29,728.36.

Local 4 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 Monday, December 6, 2010.

Other Issues

1. Duplicate Receipts

Local 4 receives cash and check payments from various social activities held throughout the year and from cash payment of membership dues. Although the local maintained adequate description of this income in the union's records, OLMS recommends issuing duplicate receipts as a method of improving internal controls. OLMS recommends that Local 4 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of

those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Lost Time Policy

As I discussed during the exit interview with you and Mr. Ball, the audit revealed that Local 4 does not have a clear policy regarding the circumstances and procedure for the payment of lost time. You explained that officers traveling to the IFPTE international convention are authorized to seek reimbursement equivalent to that of their normal salary while they are either in leave-without-pay status or in another type of employer-paid leave status. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to IFPTE Local 4 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: Mr. Clayton Ball, Treasurer