



September 30, 2013

Mr. Prudencio Hernandez, President
Longshoremens Asn AFL-CIO
Local 2022
7437 Avenue L
Houston, TX 77011

Case Number: 440-07732 [REDACTED]
LM Number: 513829

Dear Mr. Hernandez:

This office has recently completed an audit of Longshoremens Asn AFL-CIO Local 2022, 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, Secretary-Treasurer Arturo Ibarra, and Vice President Jose L. Galvan, on September 27, 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 Local 2022's 2012 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

President Prudencio Hernandez, who received reimbursement for business use of his personal vehicle, did not retain adequate documentation to support payments to them totaling at least \$2,130.42, during 2012. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

2. Lost Wages

Local 2022 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$750.00. 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 2022 documented in the disbursements journal the officers who received the lost-time payments and the amounts. However, the officers did not maintain lost wage vouchers or identify on the lost wage vouchers the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which contained a sample of an expense voucher Local 2022 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. Failure to Record Receipts

Local 2022 did not record in its receipts records some employer dues check-off checks and some checks received from banks for interest earned on certificates of deposit totaling at least \$1,293.36. For example, Check [REDACTED] for \$227 and Check [REDACTED] for \$187.06 from Hellenic Marine, Inc., Check [REDACTED] for \$96.96 from FAM Marine Services, Inc., and Check [REDACTED] for \$782.34 from Intership Services, Inc. were deposited into the local's checking account, but not recorded in the receipts journal. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Receipt Dates not Recorded

Entries in Local 2022's receipts journal 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.

5. Information not Recorded in Meeting Minutes

During the audit, Mr. Hernandez advised OLMS that the membership authorized the salary payment to Secretary-Treasurer Arturo Ibarra, lost-time payments to officers attending negotiation meetings, and the annual Christmas bonus of \$300 to all members. ILA Local 2022 Bylaws, Article VI, Duties of Officers, Recording Secretary/Financial Secretary, Sections 1, requires that this officer keep correct minutes of all meetings of the local. However, Local 2022 maintained no minutes of that meeting. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 2022 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 financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 2022 for the fiscal year ended December 31, 2012, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 2022 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.

The union must report most direct disbursements to Local 2022 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 (Cash) are not the figures according to Local 2022'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 2022 must file an amended Form LM-3 for the fiscal year ended December 31, 2012, to correct the deficient items discussed above. I encourage Local 2022 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than October 30, 2013 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Violations

The audit disclosed the following other violation(s):

Signing Blank Checks

During the audit, you advised that Arturo Ibarra 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 2022 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Longshoremens Local 2022 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. Arturo Ibarra, Secretary-Treasurer
Mr. Jose L. Galvan, Vice President