



April 20, 2018

Mr. Brian Hammond, President
Teamsters Local 687
14 Elm Street
Potsdam, NY 13676

Case Number: 110-6012218 [REDACTED]
LM Number: 039042

Dear Mr. Hammond:

This office has recently completed an audit of Teamsters Local 687 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 Mickey Smith, and Recording Secretary Jim Hollenbeck on December 8, 2017, 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 687's Fiscal Year 2016 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit/Gas Card Expenses

Local 687 did not retain adequate documentation for reimbursed expenses and credit card expenses by union officers incurred through credit cards and gas cards totaling at least \$2,557. For example, at least four receipts were not retained for hotel stays totaling at least \$1,208, including deposits for stays related to planned conferences at the Fort William Henry Resort and Disney Resorts.

Local 687 also did not retain receipts for credit card charges for union vehicle maintenance or for some gas purchases made using the Exxon, Valero, and Sunoco gas cards, totaling at least \$468.

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 687 did not require officers and employees to submit itemized receipts for meal expenses, charged to the union credit card, totaling at least \$1,275. For example, there was no itemized receipt for \$160.73 charged to The Hut in March 2016. 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.

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. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip. Local 687 did not maintain mileage logs, including starting and ending locations, and did not record odometer readings for all gas purchases. It is recommended that the union also log or publish the mileage rate to be applied to this travel.

4. Inventory of Fixed Assets

Local 687 failed to maintain records that identified its fixed assets. The Form LM-2 filed by Local 687 for 2016 reported fixed assets of \$47,804 at the start of the year and \$27,853 at the

end of the year. During the audit, OLMS was advised that Local 687 does not keep an inventory list of its fixed assets, which include at least four computers, two cars, chairs, desks, and filing cabinets. Local 687 agreed to create such an inventory and maintain the list by adding new purchases, removing old equipment that has been sold, donated, or destroyed, and recording the cost and depreciation of each asset.

In the case of fixed assets, the local must maintain an inventory or other similar record(s) identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported on Schedule 6 of the LM-2.

5. Lack of Salary Authorization

Local 687 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported. The audit revealed that Local 687's records did not contain sufficiently clear and current salary authorizations to ensure that all salaries were correct and authorized. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 687 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-2) filed by Local 687 for the fiscal year ended December 31, 2016 was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 687 did not include some reimbursements or payments to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of

Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Automobile Expenses

Local 687 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) all disbursements for the operation and maintenance of union automobiles.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

3. Failure to Itemize Disbursement or Receipt

Local 687 did not properly report some "major" transaction(s) in Schedule(s) 14-19. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that Local 687 failed to itemize individual transactions with vendors over \$5,000. For example, although Satter Law Firm was itemized, each transaction over \$5,000 was not. Rather, one transaction for \$100,059 was listed on 12/31/2016.

4. Trust

Item 10 of the LM-2 (During the reporting period did the labor organization create or participate in the administration of a trust or a fund or organization, as defined in the instructions, which provides benefits for members or beneficiaries?) should have been answered, "Yes," because the union participated in the administration of the Teamsters Local 687 Insurance Trust.

A trust in which a labor organization is interested is defined in Section 3(l) of the LMRDA (29U.S.C. 402(l)) as:...a trust or other fund or organization (1) which was created or established by a labor organization, or one or more of the trustees or one or more members of the governing

body of which is selected or appointed by a labor organization, and (2) a primary purpose of which is to provide benefits for the members of such labor organization or their beneficiaries.

Trust information is to be provided in Item 69 (Additional Information) including the full name, address, and purpose of each trust or other fund. If a report has been filed for the trust or other fund under the Employee Retirement Income Security Act of 1974 (ERISA), the union reports in Item 69 (Additional Information) the ERISA file number (Employer Identification Number — EIN) and plan number, if any.

5. Acquire/Dispose of Property

Item 15 of the LM-2 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union totaled a vehicle during the fiscal year and disposed of the car, receiving insurance proceeds. The union must identify the type of asset or property acquired or disposed of in Item 69 (Additional Information) and any cost book value or allowances for assets that may have been traded in.

6. Investments

Local 687 appears to have improperly reported the value of investments on a cost basis in Schedule 5 of the LM-2 (Investments) and improperly listed a union vehicle, which had not been sold, in Schedule 3 (Sale of Investments and Fixed Assets). Rather, the vehicle was totaled and the union received insurance proceeds for the vehicle. This amount should have been listed in Schedule 14, Other Receipts. The union was directed to the LM-2 instructions for Schedules 3 and 5.

7. Failure to File 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 687 amended its constitution and bylaws in both February 2015 and December 2016, but did not file a copy with its LM reports for those years. Local 687 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 687 file an amended LM report for 2016 to correct the deficient items, but Local 687 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following 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 687's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 687 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

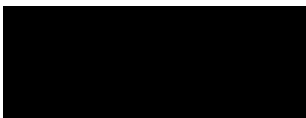
Other Issue

Use of Union Credit Cards

The audit revealed that Local 687 permits officers to use the union credit card to pay expenses for travel and business with related organizations. For example, the president makes charges to the Local 687 credit card for his travel in support of the joint council and as a trustee for the health and pension fund although he submits these expenses to those organizations for reimbursement. The records kept by the union do not always clearly show which expenses are reimbursable by other organizations. Although these outside entities promptly repay Local 687 for the expenses related to their organizations, it is not a recommended practice.

I want to extend my personal appreciation to Teamsters Local 687 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,



Supervisory Investigator

cc: Mr. Mickey Smith, Secretary-Treasurer
Mr. Jim Hollenbeck, Recording Secretary