



November 6, 2018

Ms. Sheila Marquez, Vice President/Business Agent  
ILA Local 1817  
PO Box 3243  
Freeport, TX 77542

Case Number: 420-6014818  
LM Number: 040909

Dear Ms. Marquez:

This office has recently completed an audit of ILA Local 1817 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 and Secretary/Treasurer Louise McKnight on November 7, 2018, 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 1817's 2017 records revealed the following recordkeeping violations:

#### 1. General Expenses

Local 1817 did not retain adequate documentation for a \$166.09 Verizon Wireless payment. 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. “Meeting Hours” Wages

Local 1817’s bylaws and membership meeting minutes authorize “Meeting Hours” salary payments to union officers for conducting union business. Local 1817, however, did not retain adequate documentation for Meeting Hours salary payments to its union officers totaling at least 17 instances. The union must maintain records in support of wage claims that identify each date 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 1817 did not always specify the number of hours paid on each date and the description of the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 1817 may use to satisfy this requirement. The sample identifies the type of information and documentation that Local 1817 must maintain for Meeting Hours salary payments and other officer expenses.

Based on your assurance that Local 1817 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 LM-3 filed by Local 1817 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Disbursements to Officers

Local 1817 did not include some reimbursements to officers totaling at least \$2,987.21 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item “Office and Administrative Expense.”

The union must report most direct disbursements to Local 1817 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. Disbursements for Officer Benefits

Local 1817 erroneously reported officer benefit payments to the West Gulf Maritime Association (WGMA), totaling \$5,303.52, under Item 51 (Contributions, Gifts, and Grants). Direct and indirect union disbursements for officer benefits must be reported in Item 50 (Benefits).

3. Other Income/Other Disbursements

Local 1817 erroneously reported service charge income from the WGMA totaling \$8,344.41 in Item 38 (Dues) instead of correctly reporting it in Item 43 (Other Receipts). Local 1817 paid all of these funds to the union's membership on behalf of the WGMA. Local 1817 erroneously reported these payments in Item 51 (Contributions, Gifts, and Grants) instead of correctly reporting these disbursements in Item 54 (Other Disbursements).

I am not requiring that Local 1817 file an amended LM report for 2017 to correct the deficient items, but Local 1817 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:

1. 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.

Local 1817's officers and employees are currently bonded for \$15,000, but they must be bonded for at least \$15,149. Local 1817 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 December 7, 2018.

I want to extend my personal appreciation to ILA Local, 1817 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,



Ms. Sheila Marquez  
November 6, 2018

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Senior Investigator

cc: Ms. Louise McKnight, Secretary/Treasurer