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April 25, 2024

Mr. Eli Skillman, President  
Longshore and Warehouse Union Local 47  
P.O. Box 355  
Olympia, WA 98507

Case Number: 530-6028024( )  
LM Number: 037129

Dear Mr. Skillman:

This office has recently completed an audit of Longshore and Warehouse Union Local 47 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 Robert Rose on April 24, 2024, 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 47's 2022 records revealed the following recordkeeping violations:

#### 1. General Reimbursed Expenses

Local 47 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Mr. Rose totaling at least \$507. For example, Local 47 failed to retain adequate supporting documentation for an \$80 reimbursement made to Rose on June

30, 2022, for bus fare. In support of this expense, Local 47 only retained the check image and expense voucher, which is not sufficient.

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. Lost Wages

Local 47 did not retain adequate documentation for lost wage reimbursement payments to Mr. Rose in at least five instances. 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 47 maintained lost wage vouchers; however, specific days, hours lost on each day, and applicable hourly wage rate were not always recorded on the voucher.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 47 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.

Based on your assurance that Local 47 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 47 for the fiscal year ended December 31, 2022, was deficient in that:

#### Disbursements to Officers

Local 47 did not include some disbursements to officers totaling at least \$7,934 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 47 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).

#### Other Violations

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.

Local 47's officers and employees are currently bonded for \$25,000, but they must be bonded for at least \$30,069.40. Local 47 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 May 8, 2024.

#### Other Issues

##### 1. Duplicate Receipts

Members of Local 47 pay dues directly to the union. Union employees record dues payments in the union's receipts journal, but they do not issue receipts to dues payers. OLMS recommends that Local 47 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. Use of Signature Stamp

During the audit, Robert Rose advised that it is Local 47's practice for himself to sign all union checks and to stamp the signature of Lee Rose on union checks. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check and negates the purpose of the two-signature requirement. OLMS recommends that Local 47 review these procedures to improve internal control of union funds.

3. Expense Policy

As I discussed during the exit interview with you and Mr. Rose, the audit revealed that Local 47 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement (i.e. lost wages). OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Longshore and Warehouse Union Local 47 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. Robert Rose, Secretary/Treasurer