

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
St. Louis District Office
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June 9, 2009

Mr. Donald Giljum, Business Manager
Operating Engineers Local 148
2929 S. Jefferson Avenue
St. Louis, MO 63118

LM File Number 006-935

Case Number: [REDACTED]

Dear Mr. Giljum:

This office has recently completed an audit of Operating Engineers Local 148 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 Jack Ahlheim, 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 148's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 148 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$3,900. For example, no backup documentation was retained for multiple petty cash disbursements totaling \$2,472.74, and backup documentation was not retained for a \$1,167.07 purchase at Staples on May 14, 2008. Also, on a number of occasions, you and Danny Sweet did not retain receipts for gas and meal disbursements.

As previously noted, 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 148 did not require officers and employees to submit itemized receipts for meal expenses. 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. Lack of Salary Authorization

Local 148 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 were the authorized amounts and therefore were correctly reported. 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 148 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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 148's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union is in the process of obtaining adequate bonding coverage and will provide proof of bonding coverage to this office as soon as possible, but not later than June 26, 2009.

Other Issue

Signing Blank Checks

During the audit, Business Representative Danny Sweet advised that you sign blank checks for the Illinois PAC Fund. Signing a blank check in advance does not attest to the authenticity of a completed check. OLMS recommends that Local 148 review these procedures to improve internal control of union funds.

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I want to extend my personal appreciation to you and Office Manager Donna Goddard 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: David Bahr, Treasurer
Jack Ahlheim, CPA