

**U.S. Department of Labor**

Office of Labor-Management Standards  
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September 14, 2010

Mr. Glen Taylor, President  
Office & Professional Employees  
Local 2001  
411 South Gay Street  
Suite D  
Knoxville, TN 37902

Case Number: [REDACTED]

LM Number: 542322

Dear Mr. Taylor:

This office has recently completed an audit of Office & Professional Employees Local 2001 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 Mary Kathy Kelly, Chattanooga TVA Shop Chair Shelia King, Trustee Brenda McKelvy, Vice-President Dorothy Tatum, Atlanta Shop Chair Natalie Farris, and OPEIU Senior Representative Faye Headrick on September 1, 2010, 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 2001's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2001 did not retain adequate documentation for reimbursed expenses incurred by former employee [REDACTED] and former President/Business Agent [REDACTED] totaling at least \$650.12. For example, [REDACTED] and [REDACTED] received reimbursed expenses for \$439.10 and \$73.02, respectively, for which the local did not maintain vouchers. In addition, [REDACTED] incurred \$138.00 in expenses, but her voucher did not reflect the purpose.

As previously 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. Lack of Salary Authorization

Local 2001 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was 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.

3. General Records

Local 2001 did not always retain adequate tax records during the audit year. For example, the local did not maintain Form W-2 issued to employees during fiscal year ending December 31, 2009.

Local 2001 also did not maintain adequate documentation for general expenses totaling at least \$245.00. For example, the local incurred expenses for professional services, but did not maintain documentation supporting these expenditures.

As previously noted, labor organizations must maintain adequate records for at least five years by which each receipt and disbursement of funds, 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.

4. Disbursement Dates not Accurately Recorded

Local 2001's QuickBooks Accounting System and cancelled checks did not always reflect the same check dates. The check dates must be consistent throughout all union records. The date of disbursement 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 disbursed could result in the union reporting some disbursements for a different year than when it was actually disbursed.

Based on your assurance that Local 2001 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 2001 for fiscal year ending December 31, 2009 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (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 in 2009, the union gave away a file cabinet to former [REDACTED] that had no book value. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers (LM-3)

Local 2001 did not include some reimbursements to officers totaling at least \$9,209.89 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48. The union must report most direct disbursements to Local 2001 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).

The local did not report in Item 24 wages paid to [REDACTED] totaling at least \$94,218.95. These wages were reported in Item 46 (To employees). In addition, Local 2001 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24. 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.

### 3. Cash Reconciliation

Your union's reported cash figures for the reporting period do not balance (reconcile). Specifically, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). Either one or more of the reported figures in these items is inaccurate or was blank and should be corrected or the cash shortage or overage must be explained in Item 56 (additional information). (See the worktable on page 14 of the instructions.)

### 4. Identification Items

ITEM 9 (place records kept) must be answered "yes" or "no." If the answer is "no," the address where your union's records are kept must be provided in Item 56 (additional information).

### 5. Information Items

ITEM 23 (rates of dues and fees), lines (a) through (d) must be completed with an appropriate entry (such as dollar amount, "0," "none," number of hours pay, etc.) and lines (a) and (d) must report the calendar basis for payment (such as per month, per year, etc.), if appropriate.

### 6. Financial Items

ITEM 24 (officers and disbursements to officers) line 9, columns (D), (E), and (F) must equal the total of lines 1 through 8.

ITEM 24 (officers and disbursements to officers) line 10 must be completed with the appropriate number or "0."

ITEMS 25(B) - 30(B) (asset items - end of reporting period) must each be completed with the appropriate number or "0."

ITEMS 32(C) - 35(C) (liability items - start of reporting period) must each be completed with the appropriate number or "0."

ITEMS 32(C) - 36(C) (liability items - start of reporting period) must be the same as the entries in Items 32(D) through 36(D) (liability items - end of reporting period) on your union's prior year Form LM-3 or an adequate explanation must be provided in Item 56 (additional information).

ITEMS 32(D) - 35(D) (liability items - end of reporting period) must each be completed with the appropriate number or "0."

The LM-3 report for fiscal year ending December 31, 2008 was also deficient in the following areas:

1. Cash Reconciliation

Your union's reported cash figures for the reporting period do not balance (reconcile). Specifically, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). Either one or more of the reported figures in these items is inaccurate or was blank and should be corrected or the cash shortage or overage must be explained in Item 56 (additional information). (See the worktable on page 14 of the instructions.)

2. Financial Items

ITEMS 25(A) - 30(A) (asset items - start of reporting period) must each be completed with the appropriate number or "0."

ITEMS 25(B) - 30(B) (asset items - end of reporting period) must each be completed with the appropriate number or "0."

ITEMS 32(C) - 35(C) (liability items - start of reporting period) must each be completed with the appropriate number or "0."

ITEM 36(C) (total liabilities - start of reporting period) must be completed with the appropriate number or "0."

ITEMS 32(D) - 35(D) (liability items - end of reporting period) must each be completed with the appropriate number or "0."

ITEM 36(D) (total liabilities - end of reporting period) must be completed with the appropriate number or "0."

ITEM 36(D) (total liabilities - end of reporting period) must equal the total of Items 32(D) through 35(D).

ITEM 37(D) (net assets - end of reporting period) must equal Item 31(B) less Item 36(D).

ITEMS 38 and 39 (dues/per capita taxes) must each be completed with the appropriate number or "0."

ITEMS 40 - 43 (cash receipts) must each be completed with the appropriate number or "0."

ITEMS 46 - 54 (cash disbursements) must each be completed with the appropriate number or "0."

Local 2001 must file an amended Form LM-3 for fiscal years ending December 31, 2008 and December 31, 2009 to correct the deficient items discussed above. I provided you with blank forms and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than October 22, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

#### Other Violations

The audit disclosed the following other violation(s):

##### 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 2001's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union 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 Issues

##### 1. Signing Blank Checks

During the audit, [REDACTED] advised that he signed 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 2001 review these procedures to improve internal control of union funds.

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## 2. Salary Payments

The audit revealed that former Secretary-Treasurer [REDACTED] was paid at least \$103.67 in salary payments in which she may not have been entitled to receive. During the period July through December 2009, the local paid [REDACTED] \$456.20 per month in salary, but she should have received \$435.45. During the audit, [REDACTED] reimbursed the local for \$103.65.

Union officials have a fiduciary responsibility to ensure that the union's funds and other assets are used solely for the benefit of the union and its members. Therefore, it is very imperative that union officials carefully review all checks to ensure salary payments and other disbursements are issued in conformity with applicable membership or executive board resolutions and in the proper amounts.

I want to extend my personal appreciation to Office & Professional Employees Local 2001 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,

[REDACTED]  
Investigator

cc: Ms. Mary K. Kelly, Secretary-Treasurer