

**U.S. Department of Labor**

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December 23, 2009

Ms. Gwendolyn Davis, Treasurer  
Engineers, Professional & Technical Local 86  
1455 Market Street, Suite 1644  
San Francisco, CA 94103-1331

LM File Number: 540-030  
Case Number: [REDACTED]

Dear Ms. Davis:

This office has recently completed an audit of Engineers, Professional & Technical Local 86 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 on December 18, 2009, 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 86's 2008 records revealed the following recordkeeping violations:

1. Retention of Union Records

Local 86 did not retain all records used or received in the course of union business for the last five years. The union did not retain bank statements for 2007 or 2008.

2. Failure to Record Receipts

Local 86 did not record in its receipts records any employer dues checkoff checks. No receipt journal was maintained for the audit year, and receipt records consisted solely of photocopies of the receipt checks received. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

3. Receipt Dates not Recorded

Local 86 did not maintain a receipts journal and therefore did not record the date money was received. Union receipts records must show the date of receipt. The date of receipt 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 received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 86 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 86 for fiscal year ending December 31, 2008 was deficient in the following area:

### Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

I am not requiring that Local 86 file an amended LM report for 2008 to correct the deficient items, but Local 86 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Engineers, Professional & Technical Local 86 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. Peter Krembs, President