



September 27, 2012

Ms. Debbie Flores, Financial Secretary
ATU Local 662
802 Acero Avenue
Pueblo, CO 81004

Case Number: [REDACTED]
LM Number: 543815

Dear Ms. Flores:

This office has recently completed an audit of ATU Local 662 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 President Darrin Archuleta on September 26, 2012, 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 662's 2011 records revealed the following recordkeeping violations:

1. General Payments and Reimbursed Expenses

Local 662 did not retain adequate documentation for payments totaling at least \$2,596. For example, documentation to support payments to Verizon Wireless, Colorado Custom Tees, and King Soopers was missing from the union records.

Local 662 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$250. For example, officers received reimbursed expenses for checked bags, shuttles, and copies of contracts and there were no expense receipts in the records to support the reimbursements.

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. Meal Expenses

Local 662 did not require officers to submit itemized receipts for meal expenses totaling at least \$1,200. 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.

Local 662's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, a check was written to the Garlic Onion for \$1,179.27 for the union's Christmas dinner, but there was no expense receipt in the union records to support this payment; furthermore, there was no record of the people in attendance at the Christmas dinner. In another instance, the president was reimbursed \$18.30 for a lunch meeting. Again the expense receipt was missing from the union records and there was no explanation of the union business conducted. 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. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them during 2011. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Lost Wages

Local 662 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$2,200. 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 the local's lost time records did not identify the date lost wages were incurred. In some cases the lost time records did not identify the number of hours lost, the rate of pay, or 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 662 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.

5. Per Diem Checks

Local 662 did not retain adequate documentation for per diem payments to union officers totaling at least \$750. The union must maintain records in support of per diem claims that identify each date for which per diem is claimed, the applicable per diem rate, and a description of the union business conducted.

6. Loan to Officer

Local 662 did not retain adequate documentation for a loan of \$1,485 made to President Darrin Archuleta. The union must maintain records in support of a loan documenting who received the loan, the amount of the loan, the purpose of the loan, and the terms for repayment. Section 13.5 of the ATU Constitution requires that "any expenditures, other than those which are normal and routine or specifically provided for by the L.U. bylaws must be authorized by a majority vote of the members of the L.U. in attendance at a regular meeting of the L.U." This loan does not appear to have been properly authorized, since the membership never voted on it.

7. Cash Donations

Local 662 wrote at least two checks to cash whose purpose were donations. In this case, Local 662 disbursement records should at a minimum reflect the identity of who received the cash from the bank, who the cash was given to, and the purpose of the donation. It would be a better practice to write a check directly to the party that the donation is going to. In cases where this is not possible, it is a good idea to notate the reason that cash was given instead of a check.

8. Petty Cash Fund

Local 662 had a petty cash fund but did not retain adequate records. Records reflecting payments from the petty cash fund should include the date of the payment, the amount of the payment, who a payment was made to, and any invoices or receipts to support the payment. Also include in the records how and when the fund is replenished.

9. Failure to Accurately Record Disbursements

Local 662 did not accurately record all disbursements in its disbursement record (the check stubs). Union disbursement records should show the date, amount paid, and who the payment was made to. OLMS found at least ten instances where the date on the check stub was different from the date on the canceled check, one instance where the amount on the check stub was different from the amount on the canceled check, and three instances where the payee on the check stub was different from the payee on the canceled check.

10. Receipt Dates not Recorded

Entries in Local 662's check stubs do not always reflect 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-2 / LM-3. The LM-2/3 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 662's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report. Based on your assurance that Local 662 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

1. Expense Policy

As I discussed during the exit interview, the audit revealed that Local 662 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

In some instances, members of Local 662 paid dues or fees directly to the union such as initiation fees or retiree dues. The financial secretary recorded these payments on the union's check stubs, but she did not always issue receipts to the payers. OLMS

recommends that Local 662 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.

I want to extend my personal appreciation to ATU Local 662 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,



Senior Investigator

cc: Mr. Darrin Archuleta, President