



January 28, 2013

Mr. Gary Shelar, Treasurer
Fellow Employees Labor Organization
P.O. Box 7232
New Castle, PA 16107

Case Number: [REDACTED]
LM Number: 512001

Dear Mr. Shelar:

This office has recently completed an audit of the Fellow Employees Labor Organization (FELO) 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 January 25, 2013, 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 FELO's 2011 records revealed the following recordkeeping violations:

1. Failure to Record Receipts and Disbursements

FELO failed to maintain a general ledger or similar document and therefore did not have a record of receipts or disbursements. Union receipt and disbursement records must include an adequate identification of all money the union receives and disburses. Receipt records

should show the date and amount received, and the source of the money. Likewise, disbursement records should show the date, payee, amount, and reason for each disbursement.

2. General and Reimbursed Expenses

FELO did not retain adequate documentation for general and reimbursed expenses incurred by former Treasurer [REDACTED] totaling at least \$2,300.00. For example, check number 193, dated November 16, 2010, payable to Jake McCracken in the amount of \$2,300.00 lacked supporting documentation. You advised that [REDACTED] used the proceeds of the check to purchase \$50 Wal-Mart gift cards for the membership. FELO failed to maintain the receipt for this purchase along with a listing of who received the gift cards. Additionally, check number 158, dated October 27, 2010, payable to [REDACTED] in the amount of \$187.50 lacked supporting documentation. Invoices from Mr. [REDACTED] were found in union records for other disbursements; however, not this particular disbursement.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements for a period of 5 years. 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.

3. Lack of Salary Authorization

FELO did not maintain records to verify that the salaries reported in Item 18 of the LM-4 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.

Based on your assurance that FELO 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-4) filed by FELO for the fiscal year ended December 31, 2011, was deficient in the following area:

Disbursements to Officers

It appears the union overstated the total payments to officers and employees (Item 18) by erroneously including payments to members for sick benefits. The payments to members for sick benefits should have been reported in the total disbursements made by your organization (Item 17).

Item 18 should include gross salaries (before tax withholdings and other payroll deductions); lost time pay; monthly, weekly, or daily allowances; and disbursements for conducting official business of the labor organization as well as disbursements which were essentially for the personal benefit of the officer or employee.

I am not requiring that FELO file an amended LM report for 2011 to correct the deficient items, but FELO has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to the Fellow Employees Labor Organization 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: Christopher Kennedy, President