



August 13, 2014

Mr. Joseph L. Holland, President
UMWA Local 1605
P.O. Box 604
Central City, KY 42330-0604

Case Number: 350-6002402()
LM Number: 068273

Dear Mr. Holland:

This office has recently completed an audit of UMWA Local 1605 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 August 1, 2014, 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 1605's 2013 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1605 did not retain adequate documentation for reimbursed expenses incurred by union officers and members totaling at least \$9,051.20. For example, checks payable to members for per diem, and checks payable to third parties such as McDonald's did not

contain proper vouchers or receipts. Per your request, I've attached a more detailed list of examples for your reference.

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. Reimbursed Auto Expenses

Union officers and members who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,303.58 during 2013. 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.

3. Failure to Record Receipts

Local 1605 did not record in its receipts records some employer dues checkoff checks and some cash dues deposits totaling at least \$5,144.05. For example, a cash dues deposit of \$1,389 on 2/13/13, a UMWA checkoff direct deposit of \$2,699.05 on 2/21/13, a cash dues deposit of \$1,020 on 3/12/13, and a cash dues deposit of \$36 on 10/1/13. 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.

4. Lack of Salary Authorization

Local 1605 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.

Based on your assurance that Local 1605 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 1605 for the fiscal year ended December 31, 2013, was deficient in the following areas:

1. Certificates of Deposit Reported As U.S. Treasury Securities

Local 1605 improperly included the value of three certificates of deposit as U.S. treasury securities in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

2. Cash Reconciliation

The cash figures reported in Item 25 (Cash) are not the figures according to Local 1605'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.

3. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 1605 adopted the UMW model bylaws many years ago, but did not file a copy with its LM report for that year. Local 1605 has now filed a copy of its constitution and bylaws.

Local 1605 must file an amended Form LM-3 for the fiscal year ended December 31, 2013, to correct the deficient items discussed above. You indicated that Local 1605 intends to mail an amended form no later than August 15, 2014. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures. I encourage Local 1605 to complete, sign, and file future reports electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov.

Other Violations

The audit disclosed the following other violation:

1. 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 1605's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 1605 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. One Signature on Checks

During the audit, you advised that Local 1605 only requires one signature on checks. Your union's bylaws require that all checks be signed by the president and financial secretary (Article V, Section 3(a)). 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. OLMS recommends that Local 1605 consider revising these procedures to improve internal control of union funds.

I want to extend my personal appreciation to UMWA Local 1605 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. Kenneth Vincent, Recording Secretary

Enclosures (3):

- OLMS Publication: "Reimbursed Travel Expense Payments"
- OLMS Publication: "Internal Financial Controls"
- Schedule of General Reimbursed Expenses without Supporting Documentation