



February 6, 2014

Mr. Edward Sánchez, President  
Unión Independiente de Empleados Telefónicos de Puerto Rico  
Calle 31 S.O. #753  
Urb. Las Lomas  
Rio Piedras, PR 00921

Case Number: 130-1315381 [REDACTED]  
LM Number: 541-428

Dear Mr. Sánchez:

This office has recently completed an audit of the Unión Independiente de Empleados Telefónicos de Puerto Rico 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 with Investigator [REDACTED] and Investigator [REDACTED] during the exit interview with Treasurer Esther Rosario and Attorney Nino Martínez on January 29, 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.

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 UIET's records revealed the following recordkeeping violations:

UIET did not maintain adequate backup documentation for all expenses, and did not keep a general ledger reflecting all receipts, disbursements, and account balances. Also, the union was unable to provide backup documentation and/or invoices and receipts for certain expenses. For the audit period, the union failed to maintain supporting documentation for 11 payments made to

three vendors. In addition, UIET's Doral Bank statements for the audit period were incomplete; it did not have statements for January, February and March 2012.

UIET did not maintain adequate receipts records for dues received directly from members. Ms. Rosario stated that members are not always given duplicate receipts, and that records accompanying deposit slips reflected which worksite the money came from, but not which member or the date. Ms. Rosario stated that the union is expecting to start collecting dues by check-off starting shortly, and will no longer collect dues by direct pay from members. In all cases, union receipts records must include adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

As previously noted above, labor organizations must retain original receipts, bills and vouchers for all disbursements. It must be very clear for which purpose each expense was made, the dates on which expenses were incurred and paid, and from which amount the payment came. Labor organizations must also keep bank statements for all accounts. These records must be maintained for a minimum of five years, including bank records for accounts that have become inactive.

The audit disclosed the following other violations:

Ms. Rosario advised OLMS that UIET does not have meeting minutes for general membership or executive board meetings, and that it does not hold regular meetings. This violates the union's constitution which states that the General Secretary must take minutes of all meetings in order to substantiate expenses. Minutes of all membership and executive board meetings must report any disbursement authorizations made at those meetings.

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. Ms. Rosario advised OLMS that UIET used to have an employee dishonesty policy in the amount of \$150,000, but it is no longer current. UIET should obtain a labor organization bond from a company that appears on the Treasury Department's list of approved surety companies. Please provide proof of bonding coverage without a deductible to this office as soon as possible, but not later than March 1, 2014.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file UIET'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 Ms. Rosario's assurance that UIET will maintain adequate documentation in the future, substantiating all payments made from

the union fund, and will maintain meeting minutes approving expenses, OLMS will take no further enforcement action at this time regarding the above violations.

I want to extend my personal appreciation to UIET 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,

Andriana Vamvakas  
District Director

cc: Mr. Nino Martínez, Attorney  
Ms. Esther Rosario, Treasurer