



June 9, 2016

Mr. Rodney Butcher, President
UMWA Local 1857

Case Number: 350-6006779 [REDACTED]
LM Number: 521602

Dear Mr. Butcher:

This office has recently completed an audit of UMWA Local 1857 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 Recording Secretary Albert Loveday on April 15, 2016, 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 1857's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1857 did not retain adequate documentation for reimbursed expenses incurred by Financial Secretary Jack Stollings totaling at least \$610.33. For example, Stollings received check numbers [REDACTED] and [REDACTED] for reimbursed expenses and no supporting receipts were found in the local financial records.

2. Failure to Record Receipts

Local 1857 did not have a computer generated or a paper receipts journal showing its receipts for direct deposits from UMWA International from dues checkoff, checking account interest, interest earned on a certificate of deposit, or interest earned on an annuity. Furthermore, records did not detail the value of the annuity or certificate of deposit. 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. Failure to Record Disbursements

Local 1857 did not have a computer generated or a paper disbursements journal showing its disbursements for purchases of supplies, gifts, officer expenses, taxes, or annual picnic, totaling at least \$23,537.66. Union disbursement records must include an adequate identification of all money the union disburses. The records should show the date and amount disbursed and what was purchased.

Based on your assurance that Local 1857 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

Local 1857 and its responsible officers have failed to file the required annual financial report for fiscal year ending December 31, 2015 with the Secretary of Labor, in violation of 29 U.S.C. 431(b). This report should be filed as soon as possible, but no later than July 8, 2016. I encourage Local 1857 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically.

The audit disclosed additional violations 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 LM-3 filed by Local 1857 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Annuity Reported as Fixed Asset

Local 1857 reported an annuity as a fixed asset. The annuity should be reported as an investment. Therefore, the value of the annuity should be reported in Item 28 (investments at the beginning of the reporting period and end of the reporting period). The annuity should not have been reported in Item 29, Fixed Assets.

2. Disbursements to Officers

Recording Secretary Albert Loveday's gross salary was reported as \$2,100 in Column D of Item 24. However, Local 1857 reported the total paid to Loveday as \$4,200 in Column F with \$0 reported in Column E. Therefore, incorrect information was reported in Item 45, Disbursements to Officers.

I am not requiring that Local 1857 file an amended LM report for 2014 to correct the deficient items, but Local 1857 agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation(s):

1. Inadequate Bonding

Local 1857's officers are currently bonded for \$7,500, but they must be bonded for at least \$9,807.34. Local 1857 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than July 8, 2016.

Other Issues

1. Signing Blank Checks

During the audit, you advised that President Butcher and Recording Secretary Loveday signed blank checks. 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. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1857 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to UMWA Local 1857 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. Albert Loveday, Recording Secretary