



January 31, 2017

Ms. Desiree Sullivan, President
UGSOA International Union
2879 Cranberry Highway
East Wareham, MA 02538

Case Number: 350-6009415 [REDACTED]
LM Number: 543-580

Dear Ms. Sullivan:

This office has recently completed an audit of UGSOA Local 241, located in Cleveland, Ohio under the Compliance Audit Program (CAP) to determine the organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). Because Local 241 is currently under trusteeship, the findings of the audit outlined below are being shared with you at this time. 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 241's 2015 records revealed the following recordkeeping violations:

1. Failure to Maintain Disbursement Receipts/Invoices

Local 241 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$2,550.00. For example, many expenses associated with the local's Christmas party in December 2015 did not have supporting documentation. Local 241 purchased TVs for door prizes as well as restaurant and gas gift cards raffled to attending members. However, there were no receipts maintained for these purchases or record to reflect who received each item. In addition, there was no supporting documentation to include the terms of the hall rental where the party was held nor a receipt for the evening's beverage expenses paid for by Local 241.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of each union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 241 did not maintain itemized receipts for meal expenses totaling at least \$286.41. 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 241'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, meal expenses claimed for union meetings at Michael's Grille, Harry Buffalo, Buckeye Beer Engine, and ZanZibar did not have the required documentation.

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. Dues Payment Records

Local 241 did not retain adequate documentation to reflect the sources of income received and deposited during the audit period. For example, the membership dues received did not include the detailed list of each member's dues collected as supporting documentation. Although all receipts appeared to be recorded in the union's check register and deposited into the union's bank account, a record of the source of the income was not retained. 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. Information not Recorded in Meeting Minutes

Article VII, ORGANIZATION of Local 241's Bylaws dated August 30, 2012 state the membership shall have regular meetings not less frequent than once each calendar quarter, and the supreme authority of the labor organization shall be the membership. In addition, Article XI, Section 4 states any training and travel expenses are to be presented to the local's membership prior to scheduling.

The audit disclosed Local 241 officers traveled to Detroit, MI for training in October 2015; however, no membership approval was noted in the June 26, 2015 meeting minutes. No other meeting minutes were available to verify if the trip was approved by the membership prior to scheduling.

Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

5. Lack of Detail Explaining Union Business

Local 241 President [REDACTED] and Secretary/Treasurer [REDACTED] did not provide detailed descriptions of union business performed during off duty hours when submitting vouchers for payment. On several occasions, vouchers simply stated "President's duties" and "Secretary/Treasurer duties" with no other descriptions for the hours claimed during the month. The union must maintain detailed records in support of claims that identify each date additional expenses were incurred, the number of hours spent on each date, the applicable rate of pay, and the description of the union business conducted.

Based upon your assurance that you will correct the recordkeeping deficiencies identified above with the Local 241 officers, no further action regarding these violations will be pursued at this time.

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 Local 241 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Incorrect LM Report Filed

Local 241 failed to file the correct LM report for the fiscal year ended December 31, 2015. The audit revealed the local's total receipts for the reporting period to be \$10,731. Form LM-3 must be filed when receipts total \$10,000 or more up to \$249,999 for any fiscal year.

2. Disbursements to Officers

Local 241 did not include some disbursements to officers totaling at least \$10,512.00 in the amounts that should have been reported in Item 24 (All Officers and Disbursements to Officers) of the Form LM-3. The union erroneously reported some of these payments in Item 18 of the Form LM-4.

The union must report most direct disbursements to Local 241 officers and some indirect disbursements made on behalf of its officers in Item 24 of the form LM-3. A “direct disbursement” to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An “indirect disbursement” to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

Local 241 must file an amended Form LM-3 for the fiscal year ended December 31, 2015, to correct the deficient items discussed above. Additionally, Local 241 is reminded that these deficiencies should be avoided in the upcoming reporting on the form LM-3 for the fiscal year ended December 31, 2016. I encourage Local 241 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 amended Form LM-3 should be filed no later than February 28, 2017 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Violations

The audit disclosed the following other violation:

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. While Local 241 is bonded in the proper amount, the records revealed that the local carries a \$250 deductible on the bond. Please be advised that deductibles are a form of self-insurance, which is prohibited under the LMRDA.

Local 241 should obtain adequate bonding coverage with no deductible for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than February 28, 2017.

I want to extend my personal appreciation to UGSOA International Union for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials that will be provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

Investigator

cc: [REDACTED], President
[REDACTED], Secretary/Treasurer