

U.S. Department of Labor
Office of Labor-Management Standards
Washington District Office



USPS Only:
200 Constitution Avenue, NW
Suite 11-200
Washington, DC 20210-0001

Visitors/UPS/FedEx:
375 E Street, SW, Suite 11-200
Washington, DC 20024-3221
Phone (202) 513-7300
Fax: (202) 513-7301

May 18, 2017

Mr. Estel Payne, President
United Mine Workers of America Local 1509
PO Box 1386
Lebanon, VA 24266

Case Number: 450-6009784 [REDACTED]
LM Number: 065-936

Dear Mr. Payne:

This office has recently completed an audit of United Mine Workers of America Local 1509 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 Financial Secretary Billy Barnhart and you on May 8, 2017, 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 1509's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1509 did not retain adequate documentation for reimbursed expenses and expenses incurred on behalf of officers. Local 1509 did not retain receipts for lodging for local officers. In addition, the union did not have sufficient documentation showing the nature of the union business requiring the disbursement for several officers' expenses. Descriptions such as "meeting" and "meeting and conferences" are not sufficiently descriptive. All disbursement records must contain an adequate description of the nature of the union business requiring the disbursement.

2. Lack of Salary Authorization

Local 1509 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) were the authorized amount and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary amounts authorized by the entity or individual in the union with the authority to establish salaries.

3. Certificate of Deposit Statements

Local 1509 did not retain any certificate of deposit statements during the audit year. As noted above, labor organizations must retain original documentation for all receipts. 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.

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 1509 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers

Local 1509 did not properly report some payments to officers in Item 24 (All Officers and Disbursements to Officers). Disbursements to officers for travel should be reported in Column E (Allowances and Other Disbursements) in Item 24.

The union must report most direct disbursements to Local 1509 officers and some

indirect disbursements made on behalf of its officers in Item 24. 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. An "indirect disbursement" to an officer is a payment to another party (including check card companies) 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).

2. Officer with Multiple Positions

Estel Payne held two union positions during the audit year. If an officer holds more than one position during the fiscal year, the LM report should list the officer once in Item 24 (All Officers and Disbursements to Officers) and should report the gross salary and allowance payments to that officer for the entire fiscal year. Furthermore, the LM report should list each additional position and the dates on which the officer held the position in Item 56 (Additional Information).

3. Chronically Delinquent Filings

The Labor Organization Annual Report, Form LM-3, is required to be filed within 90 days of the end of a labor organization's fiscal year. Local 1509 failed to file its LM-3 report by this deadline in each of the past ten years. The president and secretary-treasurer are personally responsible for timely filing the union's LM-3 report. Local 1509's future failure to timely file the LM-3 report could result in the initiation of enforcement proceedings.

4. Failure to File Form LM-3

The law requires unions to file a Labor Organization Annual Report, Form LM-3, within 90 days after the completion of the union's fiscal year. Since the union's fiscal year ended on December 31, 2016, the LM-3 report was due by March 31, 2017. However, the union's LM-3 report has still not been received. Local 1509 must file a form LM-3 for fiscal year ending December 31, 2016, as soon as possible but not later than June 9, 2017.

Other Violations

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.

Local 1509's officers and employees were bonded for \$12,500, but they needed to be bonded for at least \$14,608. Local 1509 obtained adequate bonding coverage for its officers and employees at the conclusion of the audit.

I am not requiring that Local 1509 file an amended report for 2015 to correct the deficient items, but Local 1509 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Income

The audit revealed that the officers of the union receive a monthly stipend for conducting business for the union. The audit also revealed that the officers are paid an hourly rate by the union for all of the work they do on behalf of the union. OLMS recommends that these polices be brought before the membership for clarification and approval.

I want to extend my personal appreciation to United Mine Workers of America Local 1509 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,



Auditor

cc: Billy Barnhart, Financial Secretary