



March 19, 2019

Mr. Andy Kolonics, Acting President
Utility Workers Local 511
P.O. Box 51231
Pacific Grove, CA 93950

Case Number: 530-6013270 [REDACTED]
LM Number: 511198

Dear Mr. Kolonics:

This office has recently completed an audit of Utility Workers Local 511 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 February 5, 2019, 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 511's 2017 records revealed the following recordkeeping violations:

1. Record of Receipts

Unions must maintain records that will provide in sufficient detail the basic information from which reports filed with OLMS such as Form LM-2, LM-3, and LM-4 may be verified and checked for accuracy and completeness. Local 511 does not create any type of

receipts (or disbursements) journal. As a result, the source of some receipts could not be identified.

2. Disposition of Assets

During the audit period, Local 511 spent over \$7,000 on gift cards, which were to be given away to each member. The local failed to maintain adequate records to account for those assets. The detail of records required to be maintained for items given away is dependent upon the manner in which the property is distributed. In this case, the union can most easily satisfy the recordkeeping requirement by attaching a list of the names of individuals who receive the items.

3. General Reimbursed and Debit Expenses

Local 511 did not retain adequate documentation for three airline tickets totaling at least \$300. There were three debit charges from Delta Airlines but no receipt to indicate who the tickets were issued to.

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.

4. Meal Expenses

Local 511 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$120. 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 511 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, there was no receipt for \$59.51 from Ippolito in May 2017 and \$23.97 from LA Madeline in June 2017. 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.

Based on your assurance that Local 511 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 511 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away gift cards totaling more than \$7,000 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local 511 did not include some reimbursements to officers totaling at least \$275 (first quarter of year) in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local 511 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. 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).

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 511'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. Lines 44 (Other Receipts) and Line 55 (Other Disbursements) are also incorrect since both were higher than reported. It also appears that Local 511 failed to report initiation fees that it collected.

4. Incorrect Categorization of Receipts and Disbursements

LM-3 Line 44 (Other Receipts) and Line 55 (Other Disbursements) should only be used when there is no other applicable line item for the receipts and disbursements. Local 511 reported the disbursement of \$7,025 in Line 55 when it should have been reported in line

51 (Contributions, Gifts, and Grants). A hotel refund of \$146.12 was not correctly reported under Line 44 (Other Receipts).

I am not requiring that Local 511 file an amended LM report for 2017 to correct the deficient items, but Local 511 has 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

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 511's officers and employees were bonded for \$15,000, but they should have been bonded for at least \$15,097. Local 511 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 March 31, 2019.

I want to extend my personal appreciation to Utility Workers Local 511 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,



Senior Investigator