



August 21, 2019

Mr. Mike Hetticher, President  
APWU Local 1056  
P.O. Box 3001  
Eureka, CA 95502-3001

Case Number: 530-6016395  
LM Number: 506082

Dear Mr. Hetticher:

This office has recently completed an audit of APWU Local 1056 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 on August 1, 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.

#### Record Keeping 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 1056's 2018 records revealed the following recordkeeping violations:

#### 1. Meal Expenses

Local 1056'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, on August 23, 2018, a credit card charge in the amount of \$58.00 was made at Grit & Grace restaurant. The receipt for this charge failed to include a written explanation of the purpose and beneficiaries of the expense. 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 1056 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 1056 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 1056 did not include some reimbursements to officers totaling at least \$3,365.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers).

The union must report most direct disbursements to Local 1056 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).

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 1056 did not file a copy of its initial bylaws with its LM report. Local 1056 has now filed a copy of its bylaws.

Local 1056 has filed an amended LM report for 2018 to correct the deficient items and 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):

Use of Two Signatures

During the audit, Local 1056 President Mike Hetticher and Secretary Treasurer Kimberlie Cobb advised that it is Local 1056's practice for two union officers to sign all union checks. However, during the audit year, the majority of checks issued from the union's account were signed by only one officer. Article III, Section 2(a) of Local 1056's bylaws requires that checks be signed by two officers. 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. OLMS recommends that Local 1056 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to APWU Local 1056 for the cooperation and courtesy

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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