

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Washington, D.C. 20210



May 11, 2006

Mr. Donald Wightman
President
Utility Workers Union of America, AFL-CIO
888 16th Street, NW
Washington, DC 20006

Dear Mr. Wightman:

On April 17, 2006, the staff of the International Compliance Audit Program (I-CAP), Office of Labor-Management Standards (OLMS), discussed with representatives of the Utility Workers Union of America (Utility Workers or IU) the resolution of deficiencies identified in the compliance audit that OLMS conducted last year. The audit and this follow-up review were conducted pursuant to the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). This meeting was conducted with Mr. Gary Ruffner, Secretary-Treasurer. The purpose of the meeting was to review the amended Form LM-2 submitted by the IU for fiscal year (FY) 2004, the audit period, and the current Form LM-2 for FY 2005 along with your letter dated January 10, 2006, which describes actions the IU has taken in response to the findings of the audit. The deficiencies identified during the initial audit, which were conveyed to the union in an audit closing letter dated December 7, 2005, are summarized below, along with an assessment of the IU's progress to correct these deficiencies. Neither the audit, nor the subsequent follow-up review purport to be an exhaustive list of all possible problem areas since the compliance audit is limited in scope. The numbered items below correspond to the numbered items in the audit closing letter.

Reporting Deficiencies - LMRDA Section 201

1. There were descriptions that were not sufficiently detailed on the Form LM-2 during the audit period. As recommended in the closing letter, the Utility Workers provided sufficient descriptions in the FY 2005 Form LM-2 except for one item, Prepaid Expenses, on Schedule 7, Other Assets. The term "Prepaid Expenses" is not sufficient to identify the asset.

2. Investments had not been reported at the lower of cost or market during the audit period. The IU amended the FY 2004 Form LM-2 to correctly reflect investments. In the FY 2005 Form LM-2, investments were accurately reflected at the lower of cost, \$2,507,182 and not market, \$3,200,789.
3. The I-CAP closing letter requested that the Utility Workers eliminate "netting" entries in future Form LM-2 filings as "netting" is not permitted by the Form LM-2 instructions. In a sample of general ledger entries in six accounts for FY 2005, there was no evidence of "netting."

Inadequate Recordkeeping-LMRDA Section 206

4. The Utility Workers failed to maintain all supporting documentation for IU disbursements and there was no evidence of a review by an officer before union funds were disbursed during the audit period. During the on-site follow-up, a sample of disbursement transactions for February and March 2006 were reviewed by the I-CAP team and these transactions did have adequate supporting documentation. In addition, there was written evidence the Secretary-Treasurer or President is approving disbursements before union funds are disbursed.
5. The IU had not maintained mileage logs during the audit period. During the on-site follow-up, the Utility Workers provided supporting documentation to substantiate that the mileage logs, which are currently being maintained, include the beginning and ending odometer reading, total mileage, date, and union business purpose.

Internal Financial Controls

6. There were errors identified by the I-CAP team during the audit that were made by the bookkeeper but were later corrected when a vendor or the independent auditor recognized the error. The closing letter recommended that the bookkeeper receive on-the-job training, and the bookkeeper has been in contact with the independent auditor and the software specialist to receive guidance on the proper recording of IU transactions. The independent auditor is also reconciling the checking account once a month to ensure that transactions are correctly posted and will be accurately reflected on the Form LM-2.
7. It was recommended in the I-CAP closing letter that the Utility Workers adequately segregate receipt functions. During the on-site follow-up, the IU demonstrated adequate segregation of receipt duties. The office secretary is now listing the receipt of checks and is reconciling to canceled deposit slips;

the bookkeeper is recording the receipts in the general ledger; and the senior bookkeeper is depositing receipts at the bank.

8. The Utility Workers has assigned a staff member, other than the senior bookkeeper, who is responsible for the disbursement functions, to distribute checks, as recommended in the I-CAP closing letter.
9. The I-CAP closing letter recommended a written investment policy. The IU is in the process of drafting an investment policy and will provide a copy of the policy to OLMS when it is completed.
10. The Secretary-Treasurer and President are documenting approval with initials on supporting documentation for disbursements before endorsing union checks, as recommended in the I-CAP closing letter.

If we can be of further assistance in the future please do not hesitate to contact us. Thank you again for the cooperation and courtesy extended by you and your staff during this compliance audit.

Sincerely,


Kim R. Marzewski, Chief
Division of International Union Audits