



July 31, 2012

Mr. Ricardo Terronez, Financial Secretary-Treasurer  
USW Local 463  
10001 S. Hwy. 171  
Grandview, TX 76050

Case Number: [REDACTED]  
LM Number: 065174

Dear Mr. Terronez:

This office has recently completed an audit of USW Local 463 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 July 25, 2012, 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 463's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses & Lost Wages

Local 463 did not retain adequate documentation for lost time, other paid time, and reimbursed expenses incurred by union officers totaling at least \$8,984.68. For example, the only supporting documentation of the time and mileage payments paid to Financial Secretary-Treasurer Ricardo Terronez on June 1, 2011, July 12, 2011, October 6, 2011, and October 11, 2011 were the check stubs and check memos stating "time and mileage."

The union must maintain records in support of reimbursement claims that identify the date(s) the expenses were incurred, each expense (mileage, lost wages), the rate at which each expense is paid (mileage rate, pay rate), and the specific union purpose for the expenses. The union must

maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. 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.

2. Savings account

Local 463 failed to maintain a union record of their savings account. The only record Local 463 maintained of their savings account was the bank statements.

3. La Fiesta Receipts

Local 463 failed to maintain receipts or other supporting documentation in support of six \$40 checks to La Fiesta where Local 463 held their union meetings. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

4. Dues Checkoff Reports

Local 463 did not maintain all the dues checkoff reports for the audit year. For example, dues checkoff reports are missing for August and September of 2011. As noted above, labor organizations must maintain a record showing the source(s) of all incoming money.

Based on your assurance that Local 463 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 463 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Disbursements to Officers

Local 463 did not include some reimbursements to officers President Steve Montgomery, Financial Secretary-Treasurer Ricardo Terronez, and Committee Man Bill Thompson totaling at least \$1,335 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 Office and Administrative Expenses.

The union must report most direct disbursements to Local 463 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. Savings Account

Local 463 failed to include the money in their savings account in Items 25A and 25B.

3. Fixed Assets

Local 463 failed to report the cost of the fixed assets purchased in Items 52 and 29B. It appears Local 463 may have mistakenly reported those disbursements in Item 48 Office & Administrative Expenses.

4. Dividends

Local 463 failed to report the dividends earned on their savings account in Item 41 Interest & Dividends.

5. Receipts

Local 463 mistakenly reported income that the local did not receive in Items 40 & 43 instead of \$0.

6. Total Receipts

Local 463 overreported their total receipts in Item 44, reporting \$13,314 instead of \$12,723.

Local 463 must file an amended Form LM-3 for the fiscal year ended December 31, 2011, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website [www.olms.dol.gov](http://www.olms.dol.gov). I encourage Local 463 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-3 should be filed electronically no later than **August 24, 2012** 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 Violation

The audit disclosed the following other violation:

Failure to Hold Periodic Officer Election

Local 463 failed to hold their officer election in April of this year (2012). Local 463's last officer election was in April of 2009. Section 401(b) of the LMRDA requires local unions to hold officer elections at least every three years.

Local 463 agreed to hold their officer election as soon as possible. Local 463's nomination meeting is scheduled to take place within the next month.

Other Issues

1. Budget

As I discussed during the exit interview with you, the audit revealed that Local 463 does not have a budget yet disbursements were greater than receipts for the past two years. OLMS recommends creating a budget to prevent Local 463's disbursements being greater than their receipts and to keep a positive bank balance.

2. Obtain Cancelled Checks

As discussed in the opening and closing interviews, Local 463 currently does not get copies of their cancelled checks back from their credit union. OLMS recommends that Local 463 obtain copies of their cancelled checks from their credit union/bank in order for their records to be fully audited.

I want to extend my personal appreciation to USW Local 463 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

cc: Mr. Steve Montgomery, President  
Mr. John Griffith, Vice-President