

U.S. Department of Labor
Cincinnati District Office

Employment Standards Administration
Office of Labor-Management Standards
36 East Seventh Street, Room 2550
Cincinnati, OH 45202



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April 18, 2005

James Anderson, President
Utilities Union Local 600
810 Brighton Street
Newport, KY 41071

RE: **2**

Dear Mr. Anderson:

This office recently completed an audit of Utilities Union Local 600 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 and Treasurer Patricia Memering on December 17, 2004, 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 in limited scope.

The CAP disclosed that the local failed to retain adequate documentation to support receipts and disbursement, in violation of 29 U.S.C. 436. Specifically, union officers and employee failed to retain adequate documentation for reimbursed expenses, expenses charged to credit cards, and lodging expenses that were paid directly by the union. Local 600 failed to record in its records some employer dues checkoff checks and some checks received from banks for interest earned on certificates of deposit. Union receipt records must include adequate identification for all monies received. The records should allow the exact date that the money was received, the identity of the source of money, and the individual amount received from each source. Since you agreed to maintain adequate documentation for receipts and disbursement in the future, no enforcement action will be taken regarding this violation.

The CAP disclosed a violation of 29 U.S.C. 201(a) which requires that unions submit copies of their current constitutions and bylaws with their LM reports when bylaws changes are made. Local 600 amended its constitutions and bylaws in 2003, but a copy of the constitutions and bylaws was not filed with Local 600's LM-2 report for that year. Since you have provided an updated copy of the constitution and bylaws, no additional action is required.

The CAP disclosed a violation of 29 U.S.C. 201(b) in that the local's Form LM-2 for the fiscal year ending October 31, 2003 was deficient. I will be contacting you shortly regarding the errors on the report and will be providing with a listing you can use in filing and amended report.

After our meeting, I was informed by our National Office that they had completed a review of your bonding coverage and found it to be inadequate. Though the purchase of a commercial crime policy in lieu of a surety bond is acceptable; several changes will be required of your policy. First, the deductible provision (Section C of the "Employee Dishonesty Coverage Form) is not permissible. Second, the definition of employee (Section C.1 of the: Crime General Provisions (Loss Sustained Form)") does not include a person who handles funds without being compensated by salary, wages, or commissions. Finally, it is not clear that officers are covered

under the definition of "employee" or excluded as "partners" (Section A of the: Crime General Provisions (Loss Sustained Form)"). I will be contacting you within the next few weeks to discuss your local's bond and the changes or additions that will be required.

As we discussed during our meeting, I had several suggestions for improving the internal financial controls of your union. I strongly urge Local 600 to adopt clear written guidelines regarding what types of expenses union personnel may charge with union credit cards and what kinds of out-of-pocket expenses for which personnel may be reimbursed. I also urge your local to stop signing blank checks in advance. Your union's bylaws require that all checks be signed by the president and the treasurer. The countersignature requirement is an effective internal control. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check requirement. Finally, I strongly suggested that your local discontinue its practice of paying officers' salary using petty cash. The use of checks to issue disbursements lends to more accountability and transparency. I have enclosed a compliance tip sheet regarding internal financial controls. You may wish to discuss the items on the tip sheet at your next executive board meeting.

I want to extend my personal appreciation of your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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Investigator

Enclosures