

U.S. Department of Labor

Office of Labor-Management Standards
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September 23, 2005

ROBERT WARNOCK, III
TEAMSTERS
LOCAL 364
2405 E. EDISON ROAD
SOUTH BEND, IN 46615

Re: 2

Dear Mr. Warnock:

This office has recently completed an audit of Teamsters Local 364 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. As discussed during the exit interview with Secretary-Treasurer Gary Monroe, bookkeeper Becky Harter, CPA Martha Wolf, and you on September 20, 2005, 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.

The CAP disclosed a violation of Title II, Section 201(b) of the LMRDA because the Labor Organization Annual Report (Form LM-2) filed by your organization for fiscal year ending December 31, 2003 failed to meet reporting standards. The following deficient items were identified:

1. Bonding Amount

Local 364's bonding amount was reported as \$500,000, but it was actually \$330,000.

2. Assets

Interest receivable was included in the value of "Cash Assets" reported in Statement A (Assets and Liabilities) but should be reported as an "Other Asset".

3. Automobile Expenses

Disbursements for the operation and maintenance of union automobiles assigned to specific drivers were not properly reported. For these automobiles, even those costs billed directly to the local rather than charged on the drivers' credit cards should be reported in Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees) at the drivers' names.

4. Travel Expenses

Disbursements for travel expenses were improperly reported in Schedule 15 (Other Disbursements). Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 9 and 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedule 13 (Office and Administrative Expense).

5. "Miscellaneous Expenses"

Disbursements of \$2,778 were improperly reported in Schedule 15 as "Miscellaneous Expenses". Disbursements reported in Schedule 15 may be classified by general groupings or bookkeeping categories if the descriptions are sufficient to identify their purposes. As discussed in the LM instructions, disbursements may not be identified as "miscellaneous" in Schedule 15 because that classification is not sufficiently descriptive.

6. Advances for Specific Trips

None of the \$400 travel advances reported in Column E of Schedules 9 and 10 (Allowances) was reported correctly. As stated in the instructions, if the advance was fully accounted for by vouchers or paid receipts within 30 days after the completion or cancellation of the travel, then the advance should be reported in Column F of Schedules 9 and 10. If the advance was not fully accounted for within 30 days, then it should be reported in Schedule 1 (Loans Receivable), with explanation provided as required in Item 75 (Additional Information).

7. Statement B (Receipts and Disbursements)

- a. Investment earnings used to purchase investments should be reported as "Cash Disbursements" for the same reason that they were, correctly, reported as "Cash Receipts".
- b. Investment management fees and accrued interest paid on purchases of investments should be reported as "Cash Disbursements" rather than subtracted from investment income actually received and reported as part of a net investment income amount under "Cash Receipts".
- c. Accrued interest received from the sale of investments should be reported as "Cash Receipts".
- d. Unrealized gain or loss should not be reported in Statement B.
- e. In general, any other items improperly included or excluded from Statement B should be corrected so that the statement satisfies its purpose of showing the flow of cash in and out of the local – including its investment accounts – during the reporting period.

It will be necessary for Local 364 to file an amended Form LM-2 report for fiscal year 2003 to correct the deficient items discussed above. I provided the necessary reporting forms and instructions during the exit interview for your use. Or, you may use the electronic forms software. As explained in the enclosed printouts from the OLMS website, Electronic Forms Software Version 3.0, the version required for fiscal years beginning before July 1, 2004, is still available for download off the Internet. However, the website also states that the ability to download prefill information for Version 3.0 of Form LM-2 was discontinued after January 7, 2005.

By amending the report for fiscal year 2003, you will probably find it necessary to also amend the report for fiscal year 2004. One copy of each amended report should be submitted to this office, to my attention, at the above address as soon as possible, but no later than October 17, 2005. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures. If you have any questions about completing the amended reports or need Version 3.0 on CD because you are unable to download it, please call me at 312-596-7169.

In addition to the reporting deficiencies described above, the CAP disclosed the need for Local 364 to develop a written policy governing the use of union credit cards for personal purchases and to document each cardholder's acknowledgement and understanding of the policy. As agreed during the exit interview, I look forward to receiving a copy of the written policy by November 15, 2005. Since Local 364 has historically considered purchases of automobiles to be routine expenditures and therefore exempt from the requirement in Section 13(A)(8) of its bylaws that specific authorization at a membership meeting be obtained for the executive board's purchase of property, we are not requiring that these transactions be so authorized. Nonetheless, we encourage the executive board to report individual automobile transactions to the membership.

I strongly recommend that you make sure this letter and the compliance assistance materials that were provided to you are passed on to yours and Mr. Monroe's successors at whatever time you may leave office. I want to thank Mr. Monroe, Ms. Harter, Ms. Wolf and you for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact either me or any other representative of our office.

Sincerely,

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Investigator

Enclosures