U.S. Department of Labor

Employment Standards Administration Office of Labor-Management Standards Chicago District Office 230 S. Dearborn St., Room 774 Chicago, IL 60604 (312) 596-7173 / FAX: (312) 596-7174



September 16, 2005

Wilmer Wittig Financial Secretary PACE LU 6-517 6924 W. 97<sup>th</sup> Street Oak Lawn, IL 60453

Re:

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Dear Mr. Wittig:

This office has recently completed an audit of PACE Local 6-571 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 Amended (LMRDA). As discussed during the exit interview with you on September 9, 2008, 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 LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local 6-517 amended its constitution and bylaws in 2001, but a copy of the constitution and bylaws was not filed with Local 6-517's LM-2 report for that year. Two copies of Local 6-517's constitution and bylaws have now been filed.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 6-517 for fiscal year ending December 31, 2004 was deficient in the following areas:

- 1) The local reported the receipts attributed to interest as \$14,076 in item 46 when the union books and bank statements show only \$3,777 in interest receipts.
- 2) The local reported the total disbursements as \$164,232 in item 74 when the union books show only \$153,931 in total disbursements.
- 3) The local reported only the president, vice-president, and financial secretary in Schedule 9 All Officers and Disbursements to Officers. The rest of the officers were reported under Schedule 10 Disbursements to Employees. All officers listed in the local's constitution and bylaws must be reported in Schedule 9 regardless of whether or not they received payments any payments from the union.
- 4) The local failed to break down the disbursement total reported in column H of Schedule 9 into gross salary, allowances, disbursements for official business, and other disbursements for each officer reported in Column A.
- 5) The local failed to include some reimbursements to officers and employees in the amounts reported in Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees). Such payments appear to have been erroneously reported in Schedules 13 (Office and Administrative Expenses).

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Ail direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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 Expenses).

It will be necessary for Local 6-517 to file amended LM-3 report for FYE December 31, 2004 to correct the deficient items discussed above. The necessary reporting forms and instructions were provided during the exit interview. You may also use the new electronic forms software available from OLMS to complete the amended reports. One copy of each amended report should be submitted to this office at the above address as soon as possible, but no later than two weeks after receiving this letter. Before mailing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 6-517 2004 records:

- 1) The local failed to maintain a detailed receipt record for the sale of union jackets to members. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.
- 2) Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages be incurred. The lost wage claims must 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.
- 3) The local failed to maintain detailed American Legion refreshment receipts. With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements

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As agreed, provided that Local 6-517 maintains adequate documentation for its receipts and disbursements in the future, no additional enforcement action will be taken regarding these violations.

During the audit, you advised that President Hendry signs blank checks in advance. You also advised that you sign President Hendry's name on checks. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance or signing the President's name on the check does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

During my review of the PACE Local 6-517 constitution and bylaws, I noted that Article VII Section 4 states that the financial secretary shall make a report at least quarterly at the regular meeting of monies received and expensed and report on all official correspondence. The CAP review of the membership meeting minutes showed revealed that this did not take place.

Article VI, Section 1 of the local's constitution and bylaws state that the elective officers of this Local Union shall be President, Vice-President, a Financial Secretary, Recording Secretary, three (3) Trustees and Sergeant-At-Arms. In the organizational interview, you stated that you had taken the position of both financial secretary and recording secretary. During the exit interview, you presented the membership meeting minutes for February 16, 2000 where the combination of the two offices was approved. I suggest you update your constitution and bylaws to reflect this combination or appoint another member to the position per the procedure detailed in your constitution and bylaws.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours and Mr. Hendry's successors at whatever time you may leave office.

I want to extend my personal appreciation for your and your entire staff's 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

cc: President Michael Hendry

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