

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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May 16,2008

Mr. Dennis Ragazini, President
13 Snapit Road
Carver, MA 02330

LM File Number 521-547

Case Number: [REDACTED]

Dear Mr. Ragazini:

This office has recently completed an audit of the International Association of Fire Fighters AFL-CIO Local Union 264 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 Treasurer Scott Chicoine, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 264's 2007 records revealed the following recordkeeping violations:

1. General Expenses

Local 264 did not retain adequate documentation for general expenses totaling at least \$2,737.44. For example, the union failed to maintain appropriate documentation regarding payments for coffee and creamer totaling \$1,596.87 during the fiscal year ending 08/31/2007.

As previously 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. Record of Receipts

Local 264 did not maintain sufficient records to substantiate the source of at least \$7,123.00 in receipts. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money. Local 264 failed to indicate the source and date of money received from several sources including, but not limited to clothing sales, vending machine sales, repayment of loans granted, and direct dues payments from members. For example, a teller deposit of \$934.00 made on 06/21/2007 has no supporting documentation regarding the source of the money and the date that the money was received.

3. Meal Expenses

Local 264 did not require officers and members to submit itemized receipts for meal expenses totaling at least \$218.74. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business

purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 264's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, a \$76.71 meal expense was listed in the union's general ledger on 11/09/2006 and appeared as a charge on the union's debit card in the bank statement. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

Based on your assurance that Local 264 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report Form LM-4 filed by Local 264 for fiscal year ending August 31, 2007, was deficient in the following areas:

1. Total Receipts/ Total Disbursements Reported

It appears that the cash figures reported by the union in Item 16 (Total Receipts) and Item 17 (Total Disbursements) are not the cash figures according to the union's records. The total receipts figure, as determined by the total of all receipts recorded in the union ledger reconciled with the union's bank statements, is \$17,487.20. The total disbursements figure, as determined by the total of all expenditures recorded in the union ledger, is \$17,386.80.

It appears that this discrepancy in receipts results from the union's failure to account for income from loans received, vending machine sales, clothing sales, and direct

dues payments. It appears the discrepancy in disbursements results from the union's failure to account for expenditures such as, loans made, items of clothing purchased for resale, and payments for coffee.

As a result of Local 264 having greater than \$10,000 in total annual receipts an LM-3 report must be filed. Please note that instructions for Form LM-3 indicate that the purpose of statement B (Receipts and Disbursements) is to report the flow of cash in and out of your labor organization during the reporting period. Under statement B, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

2. Assets

Local 264 did not include the total value of petty cash, clothing items, and other property on hand at conclusion of the audit year under item 14. The union must report the value of any union property (petty cash, bank accounts, equipment, clothing items) on hand at the end of each year in Item 14 of the LM-4. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 14.

3. Disbursements to Officers

Local 264 did not report some reimbursements to officers totaling at least \$389.07 in the amounts reported in Item 18 (LM-4, total payments to officers). It appears that these disbursements were primarily for meal expenses.

The union must report most direct disbursements to Local 264 officers and some indirect disbursements made on behalf of its officers in Item 24 (LM-3). 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).

Local 264 must file an amended Form LM-3 for fiscal year ending August 31,2007, 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). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than May 30,2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Duplicate Receipts

Members of Local 264 pay dues directly to the union. Mr. Chicoine and Mr. Ragazini record dues payments in the union's receipts journal, but they do not issue receipts to dues payers. OLMS recommends that Local 264 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Failure to Follow Constitution and By-laws (Authorization of Expenditures)

Local 264's Constitution and By-Laws indicate that the president, together with the treasurer shall sign all orders and checks lawfully and properly drawn. In the course of the CAP it was revealed that Treasurer Chicoine is the sole signatory to the union's checks.

Local 264's Constitution and By-Laws also indicate that funds of \$100.00 or less can be spent by a majority vote of the executive board and that any expenditure not covered specifically by the by-laws will be voted on by the membership. In the course of the CAP, it was revealed that several expenditures over \$100.00 were transacted lacking documented approval by the membership in the meeting minutes. For example, the \$1,530.00 payment made on 07/23/07 to Ed Lyons Fire Equipment for Boots has no approval by the membership as documented in the union's meeting minutes.

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3. There are several areas that will need specific attention as the union files an amended form LM-3. Please be sure to address each of the following issues.
 - Officer expense breakdown by individual, item **24**
 - Disposal of property, clothing loss, gifts, item 13 and item 56
 - Loans to officers and members, item 18 and item 56
 - Value of assets, fixed, other

4. As discussed during the exit interview, Local **264** is aware of the terminal report filing requirements in the event that the union ceases to exist or converts to an organization that is no longer subject to the requirements of the Civil Service Reform Act of 1978 (CSRA).

I want to extend my personal appreciation to 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,

Mark Letizi,
District Director

cc: Scott Chicoine, Treasurer