

U.S. Department of Labor

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January 28, 2008

Mr. Christopher Toole, Secretary Treasurer
Teamsters
Local Union 118
130 Metro Park
Rochester, NY 14623

LM File Number: 001-802

Case Number: [REDACTED]

Dear Mr. Toole:

This office has recently completed an audit of Teamster Local Union 118 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 President Steven Mazza, Bookkeeper Sharon Johnson, and yourself on January 24, 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.

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 Teamsters Local 118's records for fiscal year 2007 revealed the following recordkeeping violations:

1. Meal Expenses

Local 118 did not require officers and employees to submit itemized receipts for almost all meal expenses totaling at least \$5,000. 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.

Furthermore, on occasion, Local 118's records of meal expenses were not supported with any documentation, except the credit card statement. For example, the union failed to retain several receipts from Mark's Pizzeria totaling at least \$303. Also, many receipts were not retained for meals purchased at Tully's Restaurant totaling at minimum \$200. Union records of meal expenses must include not only the itemized receipt but also written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges.

2. Credit Card Expenses

Local 118 did not retain adequate documentation for credit card expenses incurred by all officers of the local assigned a credit card totaling at least an additional \$3,000. Many of these unretained receipts were for gas purchases made with union credit card for union owned automobiles. In addition, there were several missing invoices for hotel stays at various locations.

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.

3. Information not Recorded in Meeting Minutes

Section 14 of the union's bylaws outlines that the duties of the Executive Board are to authorize expenses and reimbursements of expenses for Officers, subject to the approval of the membership. In October 2007, Recording Secretary Ronald Hill attended Contract Negotiations for the Freight Division in Arizona which extended over a period of one month; however there was no reference in either the executive board or membership meeting minutes requesting authorization for his travel expenses. The minutes of the meetings prior to the travel do not contain any reference to this issue. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings. In addition, all meeting minutes should provide sufficient detail surrounding the discussions made at those meetings.

Based on your assurance that the union 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-2) filed by Teamsters Local 118 for fiscal year ending December 31, 2006 was deficient in the following areas:

1. Automobile Expenses

Local 118 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) disbursements for the operation and maintenance of union automobiles totaling at least \$8,184. This amount for gasoline purchased at Exxon Mobil was erroneously reported on Schedule 18, General Overhead. In addition, gasoline was purchased at other locations, not necessarily in an amount high enough for itemization on the report. Therefore, additional operating and maintenance costs of the union automobiles were included in all other disbursements on the Detailed Summary Page for Schedule 18.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased

vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

2. Transfer of Funds

On the report, Local 118 included fund transfers that were made from the union's main checking account to the building corporation for rent payments. Since all funds from both parties are included on one annual report, it is not necessary to include such transfers.

I am not requiring that Local 118 file an amended LM-2 report for fiscal year 2006 to correct the deficient items, but as agreed, the union will properly report the deficient items on all future reports it files with OLMS.

Other Issue

Inventory of Fixed Assets

As discussed with you during course of the compliance audit and during the exit interview, it is recommended that the union maintain an inventory list of its assets. You agreed to compile such a list and provide a copy to OLMS once completed.

I want to extend my personal appreciation to Teamsters Local 118 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and any 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,

[REDACTED]

Investigator

cc: Stephen Schmitz, CPA
1049 Britton Rd.
Rochester, NY 14616

Steven Mazza, President Teamsters Local 118