

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Chicago District Office
230 South Dearborn Street, Suite 774
Chicago, IL 60604
(312) 596-7160 FAX: (312) 596-7174



February 28, 2005

Mr. Gary McHugh
Secretary-Treasurer
Roofers, AFL-CIO
Local Union 11
9838 West Roosevelt Road
Westchester, IL 60154

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Dear Mr. McHugh:

This office has recently completed an audit of Roofers AFL-CIO, Local Union 11 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 Local 11's Executive Board on February 23, 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.

Record Keeping Violations

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 local failed to retain adequate documentation relating to the following transactions during FYE December 31, 2003:

- Local 11 failed to maintain an inventory of hats, jackets, and other property which was purchased and sold or given away. Records must be retained which account for all union property. In the case of union hats, jackets and other items sold to members, the date and amount received from every sale must be recorded in at least one record.
- Union officers failed to record the date and/or purpose of some lost wage claims on records submitted for such expenses. Records that identify the date, number of hours lost, rate of pay, and business purpose (reason) for all lost wages must be retained.
- Union officers and employees failed to retain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses which were direct-paid by the union. The date,

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amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurant(s) where meal expenses were incurred must also be recorded.

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.

- Union officers and employees failed to retain adequate documentation for transactions relating to its cash bond surety deposits. All documents related to either the refund or partial use of these accounts must be maintained by the union and should include the date, purpose, and recipient's information.

As agreed during the exit interview, provided that Local 11 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

Union Officer Salary Authorization

- During the audit, I discovered that an authorization of the salary amounts for the local's officers or office secretaries could not be found in your records. The writer is requiring the local to take steps to establish a clear and unequivocal authorization from the membership in regards to this issue. When the authorized salaries have been recorded in your records, please forward a copy of the record documenting the authorization to me at the above address.

Reporting Violations

LMRDA Title II Section 201 (b) stipulates that every labor organization shall file an annual financial report, signed by its president and treasurer or corresponding principal officers, with the Secretary of Labor. This report must contain detailed and accurate financial information necessary to disclose its financial condition and operations for the preceding fiscal year. The CAP disclosed a violation of LMRDA Section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 11 for fiscal year ending December 31, 2003 was deficient in the following areas:

- The local erroneously answered item 11 on their LM-2 "yes" when, in fact, they do not participate in the administration of a trust.
- The local answered item 13 on their LM-2 "no" when they disposed of union property in a manner other than sale. The union gave away gift certificates, watches, and union clothing to members during the year but failed to properly record those transactions.
- Item 20, Bond coverage was erroneously reported as being \$40,000 when it should have been \$400,000.
- Local 11 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

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Employees). Such payments appear to have been erroneously reported in Schedules 13 (Office and Administrative Expenses) and 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 Expenses). Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements).

- Disbursements for the operation and maintenance of union automobiles were not properly reported. The LM-2 instructions provide two methods for reporting automobile related expenses. 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) must be reported in Schedules 9 and 10. The expenses may be divided and reported in columns F and G based on mileage (supported by mileage logs) driven on union business compared with mileage in personal use. Alternatively, rather than allocating the expenses between columns F and G, if 50% or more of an officer's or 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 9 or 10 with an explanation in item 75 (Additional Information) that the vehicle was used part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50% of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in item 75 that the vehicle was used partly for official business.
- Receipts of \$644 were improperly reported in Schedule 13 as "Miscellaneous." The LM-2 instructions for Schedule 14 stated that receipts reported in Schedule 14 "must be described in Column (A) and may be classified by general groupings or bookkeeping categories if the descriptions are sufficient to identify their source. Do not describe any of these receipts as "Miscellaneous" since that classification is not sufficiently descriptive."
- Local 11 erroneously reported funds that are money market cash funds within its Schwaab account as investments in Statement A (Assets and Liabilities). For LM reporting purposes, money market funds should be counted as part of cash.
- In item 49/Schedule 6 the local erroneously reported a sale of investments of \$15,716. The audit revealed that there was no such sale of investments.

Based on the combination of reporting errors listed above, the Office of Labor-Management Standards (OLMS) requires your organization to submit an amended report for fiscal year ending December 31, 2003. Be sure to read the enclosed LM-2 instructions carefully when preparing the amended report and review it thoroughly to be sure it is complete, accurate, and signed properly with original signatures. Please enter an "X" in the box for Item 3(a) Amended on the enclosed blank form and return your union's completed amended report to our office at the above address by March 14, 2005.

In closing, I strongly recommend that you make sure this letter and the compliance assistance material provided to you are thoroughly reviewed and ultimately passed on to your successor(s) at whatever time you leave office. I want to extend my personal appreciation to you and your staff for your cooperation and

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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