

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 14, 2006

Mr. Michael Scoggins, Business Manager
Iron Workers AFL-CIO
Local 167
2574 Lindawood Cove
Memphis, TN 38118

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. Scoggins:

This office has recently completed an audit of Iron Workers Local 167 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 Michael Scoggins and Linda Hawkins on April 7, 2006, 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 the following violations:

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 following record keeping violations were revealed during the audit of Local 167's records for fiscal year ending June 30, 2005:

1. Officer and Employee Expenses

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, 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 restaurants) 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.

2. Lost Wages

Union officers failed to record the purpose of some lost wages paid during the fiscal year. During the audit, union officers revealed that canceled checks and pay stubs are the only records created as documentation for payment of lost wages. During the exit interview, I recommended that Local 167 implement a voucher system. The voucher should identify the date, number of hours lost, rate of pay, and business purpose (reason) for all lost wages.

3. Disbursement Records

The local's office manager purged the disbursement records from the local's Peachtree Accounting Program without saving the data. Title II, Section 206 of the LMRDA requires that all financial records must be maintained for no less than five years from the filing date of the local's LM-2 report. I recommended during the exit

interview that union officers save their computerized records to a disk or some other electronic storage media before purging the data from the computer's hard drive.

Conclusion of Record Keeping Violations

As agreed, if Local 167 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

Other Issues

1. Inadequate Bonding

I advised you that the local had inadequate bonding coverage. During the audit, you were bonded for \$125,000.00 but you increased your bonding coverage to \$127,000.00 upon my recommendation. After further analysis, I discovered a mistake in my calculation of your total receipts. Your required bonding coverage is 117,647.58. I do extend my sincere apology for any inconvenience that I have caused you.

2. Countersignature (Signing Blank Checks)

During the audit, you advised that the officers sign blank checks in advance. Your union's bylaws require that all checks be signed by the Financial Secretary-Treasurer-Business Manager and co-signed by either the President or Recording Secretary. 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 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.

3. Prompt Reimbursement of Expenses


During the audit year, you made personal purchases on the local's credit card. Mr. Scoggins, you reimbursed the local for some of the expenses, but not all. You also charged travel expenses to the local's credit card while attending the International Foundation Meeting on behalf of the Health & Welfare Plan. The Health & Welfare Plan fully reimbursed you for those travel expenses, but you only made a partial reimbursement to Local 167. At the conclusion of the audit, you reimbursed the

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local for the personal and travel expenses. Delayed expense reimbursement to the local over an extended period could be construed as a personal loan. LMRDA Section 503 states that loans to officers or employees must not exceed \$2000.00. To avoid violating Section 503, we strongly recommend that you promptly reimburse the local for all such travel expenses. We also advise you to refrain from making personal purchases on the local's credit card.

I want to extend my personal appreciation to Iron Workers Local 167 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,


Investigator

cc: Kenneth W. Little, President