

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 11, 2005

Mr. Kenneth Diehl
Secretary-Treasurer
Laborers AFL-CIO
Local Union 727

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Re: 2

Dear Mr. Diehl:

This office has recently completed an audit of Laborers AFL-CIO, Local Union 727 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 the local's Executive Board on January 6, 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 727 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. The local agreed to maintain such information in the future.

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-3) filed by Local 727 for fiscal year ending December 31, 2003 was deficient in the following areas:

- LM-2 Item 13 was answered "no" when, in fact, the local had disposed of union property in a manner other than sale when they gave away hats, t-shirts, and sweatshirts.
- The union erroneously reported its bond coverage in Item 20 of the LM-2 for the period covered as being \$195,000 when the actual coverage amount was \$230,000.
- Personal, non-business related expenses paid by Local 727 which were not necessary for performing union business were not reported in Column G of Schedule 9 and their corresponding repayments were not properly reported in item 54 and Schedule 14 (Other Receipts). The name of each individual who made repayments and the total amount repaid by each person should be clearly reported in Schedule 14. Union policies which allow personnel to make personal purchases with union credit cards or to otherwise incur personal expenses paid by the union for which the union is later reimbursed are not recommended because they are generally too vulnerable to abuse. OLMS was advised that the Laborers International Union has an internal policy prohibiting such use.
- The union utilized the description heading "Rents & Miscellaneous" in reporting \$9955 of other receipts in Schedule 14 of the LM-2 for the period covered. The LM-2 instructions for Schedule 14 state 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."
- The local maintains a cash fund of \$42, which was not reported as part of LM-2 Item 25, "cash". All cash held by the local must be reported.

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 February 25, 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 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