



July 16, 2010

Mr. Craig Kirchhoff, Secretary-Treasurer
Boilermakers LG 174
36520 Holdrege Street
Weeping Water, NE 68463

Case Number: [REDACTED]
LM Number: 015121

Dear Mr. Kirchhoff:

This office has recently completed an audit of Boilermakers LG 174 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 you and Secretary Ben Kastens on July 15, 2010, 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 Lodge 174's 2009 records revealed the following recordkeeping violations:

1. Lost Wages

Lodge 174 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$3,023. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Lodge 174 did not identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and/or a description of the union business conducted.

During the exit interview, I provided a sample of an expense voucher Lodge 174 may use to satisfy this requirement. The sample identifies the type of information and documentation that the lodge must maintain for lost wages and other officer expenses.

2. Receipt Dates not Recorded

Entries in Lodge 174's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

3. Lack of Salary Authorization

Lodge 174 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Lodge 174 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-3) filed by Lodge 174 for fiscal year ending June 30, 2009, was deficient in the following areas:

1. Disbursements to Officers

Lodge 174 did not include some reimbursements to officers totaling at least \$3,985 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to Lodge 174 officers and some indirect disbursements made on behalf of its officers in Item 24. 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).

2. Certificates of Deposit Reported As Investments

Lodge 174 improperly included the value of a certificate of deposit as an investment in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the lodge should not report these transactions as receipts or disbursements.

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

4. Bond Amount (Item 20)

Lodge 174 incorrectly reported the value of its fidelity bond as \$500,000 on Item 20 of the LM-3 report. Records indicate that the lodge is properly bonded in the amount of \$15,000, and this amount should be reported on Item 20 of the LM-3 report.

5. Receipts/Disbursements

Lodge 174 incorrectly reported the amounts in Item 44 (Total Receipts) and Item 55 (Total Disbursements) of the LM-3 report. Under Statement B of the LM-3 report, 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.

I am not requiring that Lodge 174 file an amended LM report for 2009 to correct the deficient items, but Lodge 174 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Elections

Lodge 174 failed to hold its last regular election of officer within the maximum time frames specified by the LMRDA, in violation of 29 U.S.C. 481 (b). The LMRDA requires that every local labor organization must elect its officers not less often than once every three years by secret ballot among the members in good standing. During the audit, you advised that your last regular election of officers was held in June, 2007. You further advised that your next regular election of officers will be held in June, 2011.

During the exit interview, you stated that going forward you will hold elections within the time frames specified by the LMRDA.

Other Issues

1. Lost Wage Expense Policy

As I discussed during the exit interview with you and Mr. Kastens, a review of documents obtained from the employer regarding an officer of your lodge indicated that this officer was paid for one day of lost time for which he was not authorized. As discussed, in the future, please obtain all authorizations for lost time sent to the employer from your lodge to verify that all lost time payments have been properly authorized. In addition, the audit revealed that Lodge 174 does not have a clear policy regarding officer lost wage reimbursements. OLMS recommends that your lodge adopt written guidelines concerning such matters.

2. Signing Blank Checks

During the audit, you advised that the President or Vice President sign blank checks. You advised that all checks must be signed by two lodge officers. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Lodge 174 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Boilermakers LG 174 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: Mr. Mike Smith, President
Mr. Ben Kastens, Secretary