



April 28, 2015

Mr. Dwayne Reeves, President
Metal Trades Council Lake Charles
P. O. Box 3708
Lake Charles, LA 70602

Case Number: 420-6000487()
LM Number: 028504

Dear Mr. Reeves:

This office has recently completed an audit of Metal Trades Council Lake Charles 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 Secretary Treasurer Kenneth Fugatt on April 21, 2015, 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 Violation

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 Metal Trades Council Lake Charles' 2013 records revealed the following recordkeeping violation:

Lack of Authorization for Secretary-Treasurer's Salary

The Council did not maintain records to verify that the \$1,000 monthly salary paid to Secretary-Treasurer Kenneth Fugatt during the audit year that was reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. During the audit, the union was unable to provide documentation to support the salary amount.

The union must keep a record, such as meeting minutes or a written policy, to show the current salaries authorized by the entity or individual in the union with the authority to establish salaries. The OLMS Compliance Tip Authorization of Salary and Paid Leave for Union Officials that I provided during the exit interview will provide further guidance on this matter.

During the exit interview, Mr. Fugatt agreed to maintain all financial records for at least five years. A standing policy for recurring operating expenditures, union officer salaries, and reimbursed expenses will be properly authorized at the Council's next executive board meeting and adequate documentation of said authorization will be provided to OLMS.

Based on your assurance that the Lake Charles Council will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.


Other Issues

Two Signatures on Checks

The LMRDA outlines general fiduciary responsibilities for officers and employees of labor organizations. Union officials occupy positions of trust and, therefore, must ensure that the union's funds and other assets are used solely for the benefit of the union and its members. To prevent, or at least inhibit, the misuse of their funds, most organizations install internal controls over the handling of their finances. The audit disclosed that union checks are signed by only one officer. This is not a recommended financial practice and the Lake Charles Council is encouraged to adopt a policy requiring that all checks drawn on the union's bank account have a second signature and ensure that each signer fully understands that his fiduciary responsibilities demand that checks be signed only after they are completely filled out and (s) he knows the purpose and legitimacy of each transaction.

I want to extend my personal appreciation to Metal Trades Council Lake Charles 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,

A black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Kenneth Fugatt, Secretary-Treasurer