

U.S. Department of Labor

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September 30, 2008

Mr. Layne Marshall, President
Roofers AFL-CIO, Local 23
1345 Northside Blvd.
South Bend, IN 46615-3934

LM File Number 041-336
Case Number: [REDACTED]

Dear Mr. Marshall:

This office has recently completed an audit of Roofers Local 23 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 Margaret Kluszczynski on September 17, 2008, 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 Local 23's 2007 records revealed the following recordkeeping violations:

1. Bank Statements, PAC Fund

Local 23 did not retain bank statements for a checking account listed as a Political Action Committee (PAC) fund. Treasurer Deal stated that the account is only used once per year. As the bank balance does not change, Deal did not keep bank statements that reflected inactive months for this account.

As previously noted above, labor organizations must retain all financial records received which verify, explain, or clarify the financial condition of the union. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Inventory of Fixed Assets

Local 23 did not maintain an inventory list to verify and explain Item 28 of the LM-2 which reports \$5,654 in fixed assets. A noncomprehensive assessment of the union's office revealed that union possesses several assets that include but are not limited to computers, a photocopier, a shredder and postage machine. An inventory list for current and future fixed assets would include purchase date, purchase price, and serial numbers.

3. General Reimbursed and Credit Card Expenses

Local 23 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Business Agent (B.A.) Donald O'Brien totaling at least \$4,891.29. No receipts were maintained for \$4,325.46 in charges applied to a Marathon Gas Card carried by Mr. O'Brien for union related auto expenses. Additionally, the union did not maintain adequate supporting documentation for \$565.83 in reimbursed meeting expenses paid to Mr. O'Brien.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. For reimbursed expenses including travel, Local 23 records must include written explanations of union business conducted, the participants and the dates. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

4. Lack of Authorization of Salary Payments and Other Allowances

Local 23 did not maintain records to verify that all salaries and allowances reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amount and therefore correctly reported. Two issues require immediate clarification:

- a) The office manager's salary was \$5,653.79 higher than the annual salary level suggested in the local's bylaws and collective bargaining agreement. It was determined that the office manager received payment for unused Health and Welfare contributions, yet Local 23 did not maintain a union record that demonstrated the conversion of this benefit was authorized.
- b) B.A. O'Brien receives an annual auto allowance of \$4,800 per year and has a Marathon gas card. You indicated that the auto allowance has historically covered insurance and "wear and tear" on Mr. O'Brien's personal vehicle used in the course of union business. The gas card may also be used for auto repairs. The authorization of these expenses could not be verified with union records.

These issues must be discussed at the October membership meeting and a vote be taken for proper approval of these disbursements. As agreed, Local 23 will mail a copy of the meeting minutes to my attention at the above address as soon as the membership finalizes a decision.

Based on your assurance that Local 23 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(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes

changes to its constitution or bylaws. Local 23 amended its constitution and bylaws in 1990, but did not file a copy with its LM report for that year.

Local 23 has now filed a copy of its current constitution and bylaws and therefore, OLMS will take no further enforcement action at this time.

Other Issues

PAC Fund

As defined by state and federal campaign laws, Political Action Committee (PAC) funds are separate, segregated accounts which are funded by union members' voluntary contributions. Local 23 maintains a separate checking account which is used to make political donations. The account is currently being funded by monies transferred from the general checking account. As the general fund is primarily financed by members' dues and assessments, it appears Local 23's PAC account fails to meet the definition of a separate account financially supported by voluntary contributions. The audit further revealed that the president is not a signatory on this account and is therefore, not participating in the oversight of the account.

The manner in which Local 23 handles political donations would not normally require the PAC fund to be a separate account. OLMS recommends you discuss the management of the PAC account with your International Union and accountant to determine the most appropriate manner to handle Local 23 political donations. As discussed previously, bank statements for all accounts held in the union's name must be maintained and available for review by appropriate union officials.

I want to extend my personal appreciation to Roofers Local 23 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: Christopher Deal, Treasurer