

**U.S. Department of Labor**

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June 18, 2007

Mr. James Hathman, President  
Iron Workers AFL-CIO  
District Council  
3544 Watson Road  
St. Louis, MO 63139

LM File Number 032-211

Case Number: [REDACTED]

Dear Mr. Hathman:

This office has recently completed an audit of Iron Workers District Council 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 Office Manager [REDACTED] on May 25, 2007, 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 Iron Workers District Council's records for fiscal year ending June 30, 2006 revealed the following recordkeeping violations:

1. Credit Card Expenses

Iron Workers District Council did not retain adequate documentation for credit card expenses incurred by James Hathman totaling at least \$200. For example, there was no invoice to support the purchase of a meal charged to the October 2005 credit card statement.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Failure to Maintain Certificate of Deposit Statements

Iron Workers District Council did not retain statements for all of the union's certificates of deposit. Additionally, no other union record was retained stating the interest earned or balance of the certificates of deposit. Thus, the District Council did not record in its receipts records interest earned on certificates of deposit totaling at least \$2100. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

As agreed, your union will retain all certificate of deposit statements in the future and keep a record of all money the union receives.

Based on your assurance that Iron Workers District Council 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 Iron Workers District Council for fiscal year ending June 30, 2006, was deficient in that transactions were "netted" on the Form LM-3.

The Form LM-3 filed for fiscal year ending June 30, 2006 inaccurately stated total receipts (Item 44) and total disbursements (Item 55) on Statement B. Both the figures were underreported by \$29,993. Therefore the correct total receipts figure is \$187,036 versus \$157,043. The correct total disbursements figure is \$181,143 versus the reported total of \$151,150.

Work papers from Iron Workers District Council's CPA indicate the inaccurate total receipts and disbursements figures reported on Form LM-3 are the result of netted transactions. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement. The union's Form LM-3 netted receipts and disbursements for conferences, local union assessments, and telephone payments and reimbursements. For example, assessments paid on behalf of you to Iron Workers Local 396 by the District Council which were later reimbursed by you, were netted from the report.

The Form LM-3 instructions state netting is not permitted. Thus in the future, your union's Form LM-3 should reflect all cash flowing in and out of the organization.

I am not requiring that Iron Workers District Council file an amended LM report for fiscal year ending June 30, 2006 to correct the deficient items, but the District Council has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issue

The audit disclosed the following other issue:


During the audit, you advised that Financial Secretary William Leonard signs blank checks. Your union's bylaws and past practice require that all checks be signed by the president and financial secretary. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed

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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 Iron Workers District Council review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Iron Workers District Council 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: Charmaine Leonard, Office Manager  
William Leonard, Financial Secretary