

**U.S. Department of Labor**

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June 29, 2009

Mr. Glen Sloan, Executive Board Member  
Iron Workers AFL-CIO  
Local 492  
2524 Dickerson Pike  
Nashville, TN 37207

LM File Number 039-017

Case Number: [REDACTED]

Dear Mr. Sloan:

This office has recently completed an audit of Iron Workers Local 492 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, former Business Manager/Financial Secretary Jerry Wakefield, and then later joined by Business Manager/Financial Secretary Sammy McElroy on June 25, 2009, 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.

The CAP disclosed

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 492's year ending June 30, 2008 records revealed the following recordkeeping violations:

1. Failure to Maintain Bank Records

Local 492 did not retain maturity notices for all of its certificates of deposit. As previously noted, the local must maintain adequate records for at least five years. This includes all bank records so that account balances can be verified, explained, and clarified.

2. Lost Wages

Local 492 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$1,473.58. 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 Local 492 retained the check stubs and cancelled checks, but those records did not identify the hourly pay rate, the number of hours lost, and the purpose.

During the exit interview, I provided a sample of an expense voucher Local 492 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

### 3. Disbursement Records

There were disbursements in which the purposes were not adequately identified. For example, there were hotel expenses totaling at least \$201.05 in which the purpose descriptions were insufficient. In addition, the union purposes were not reflected on fuel charge card receipts totaling at least \$394.99. All disbursement records, including credit card receipts, must contain an adequate description of the nature or purpose of the union business.

### 4. Failure to Obtain Membership Approval

Union officials failed to obtain membership approval for some of their trips to various meetings, conferences, and etc. For example, one Local 492 union official traveled to St. Louis, Mo to attend a retirement dinner for a union official from another affiliate in which membership approval is not reflected in the meeting minutes. During the exit interview, Mr. [REDACTED] stated that most trips are approved after completion of the travel, and membership approval is obtained during the reading of the paid bills. In Article XXVI, Section 4a of the constitution states, "The Treasurer shall pay through the Financial Secretary only such bills and accounts as are dated and signed properly and have received a majority vote of the members present at the regular meeting, signed by the President, and attested to be the Recording Secretary."

### 5. Lack of Salary Authorization

Local 492 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) were the authorized amounts and therefore were 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 Local 492 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-2 filed by Local 492 for fiscal year ending June 30, 2008 was deficient in the following areas:

1. Automobile Expenses (LM-2)

Local 492 inaccurately reported in Schedule 11 (All Officers and Disbursements to Officers) disbursements relating to the operation and maintenance of the union automobile. The local reported \$7,391.00, but the correct amount is \$6,439.13.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

2. Allowances to Officers (LM-2)

In Schedule 11, Local 429 incorrectly reported in Column F monthly expense allowances totaling \$2,755.00 paid to union officials. Since these monies are not related to meals or mileage, the allowances are required to be reported in Column E.

The LM-2 instructions require that total allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly or other periodic basis

must be entered in Column E. Allowances paid on the basis of mileage or meals must be reported in Column (F) or (G), as applicable.

I am not requiring that Local 492 file an amended LM report for fiscal year ending June 30, 2008 to correct the deficient items, but Local 492 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violations

##### Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 492's officers and employees are currently bonded for \$95,000.00, but they must be bonded for at least \$114,111.16. Local 492 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than July 27, 2009.

#### Other Issues

##### Signing Blank Checks

During the audit, you advised that President Rodney Good signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. 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 Local 492 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Iron Workers Local 492 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,

Mr. Glen Sloan  
June 29, 2009  
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Investigator

cc: Sammy McElroy, Business Manager/Financial Secretary  
Rodney Good, President