

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Chicago District Office
230 South Dearborn Street
Room 774, Federal Office Building
Chicago, IL 60604
(312)596-7160 Fax: (312)596-7174



April 11, 2008

Mr. Brock Meehan, Financial Secretary
Asbestos Workers, AFL-CIO
Local 41
3626 N. Wells St.
Fort Wayne, IN 46808

LM File Number: 009-737

Case Number: [REDACTED]

Dear Mr. Meehan:

This office has recently completed an audit of Asbestos Workers Local 41 (Local 41) 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 on March 27, 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 41's 2006 records revealed the following recordkeeping violations:

1. Credit Card Purchases / Meal Expenses

Local 41 did not retain adequate documentation for credit card expenses incurred by Business Manager David Marvin totaling at least \$1,100. For example, the local did not retain invoices for over \$330.00 in airfare purchases during the audit year.

While the local was able to obtain sufficient documentation to substantiate that these disbursements were for legitimate union business from various third parties, labor organizations must retain original receipts, bills, and invoices for all disbursements. The president and treasurer (or corresponding principle officers) of your union, who are required to sign you union's LM report, are responsible for properly maintaining union records.

Also, Local 41's records of meals purchased with the union's credit card did not always include written explanation of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. Disposition of Property

Local 41 did not maintain an inventory hats, t-shirts, and other property it purchased and gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28. The local must also retain a record of the final disposition of all property given away during the audit period as this information is required by Item 15.

Based on your assurance that Local 41 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 41 for fiscal year ending December 31, 2006, was [deficient in the following areas:

1. Item 10 - Participate the Administration of a Trust

Item 10 (During the reporting period did the labor organization create or participate in the administration of a trust or organization, as defined in the instructions, which provides benefits for members or beneficiaries?) was incorrectly answered, "No." The audit revealed that Local 41 participated in the administration of a trust. As stated in the LM-2 report instructions, labor organizations must answer "Yes" to Item 10, if the labor organization has an interest in a trust as defined in Section X of the instructions. As Local 41 had an interest in both the Local 41 Retiree Insurance Fund and the Local 41 Apprentice Board, the local should have answered "Yes" to Item 10 and provided the full name, address, and purpose of the trusts in Item 69.

2. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away hats and t-shirts totaling more than \$2,722 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

3. Disbursements to Officers and Employees

Local 41 did not include some reimbursements to officers totaling at least \$4,878.31 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedule 11 (Disbursements for Official Business) direct disbursements to officers for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedule 11 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

In addition, the union appears to have erroneously reported \$1,350 in per diem disbursements to Business Manager David Marvin in Schedule 11 Column D – Gross Salary Disbursements. The LM-2 instructions for Schedule 11 Column D state that the local should enter the gross salary for each office including “lost time” wages. As the per diem payments were not salary payments, the \$1,350 should have been reported in Schedule 11 Column F – Disbursements for Official Business.

4. Item 47 – Receipts from Members for Disbursement on Their Behalf

It appears that the amount reported in Item 47 is not correct according to the union’s books after reconciliation to the bank accounts. The instructions in Item 47 state that the union should enter the total receipts from members that are specifically designated by them for disbursement of their behalf. As such, Local 41 should have reported approximately \$282,605 in Item 47 as the funds were received from members and designated for the local’s Vacation Fund.

5. Schedule 64 – Disbursement on Behalf of Individual Members

It appears that the disbursement figure reported in Item 64 is not correct according to the union’s books. The instructions for Item 64 state that the union should enter the total disbursements of funds collected from members by the labor organization that were specifically designated by them for disbursement on their behalf. As such, Local 41 should have reported approximately \$282,577 in Item 64 as the disbursements were made from the local’s Vacation Fund to the members.

Local 41 must file an amended Form LM-2 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than April 30, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violation

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 103-G's officers are currently bonded for \$30,000 but they must be bonded for at least \$84,506. Local 41 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 no later than April 30, 2008.

Other Issue

Signing Blank Checks

During the audit, you advised that you sign blank checks in advance. Your union's bylaws 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 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 41 review these procedures to improve internal control of union funds.

Mr. Brock Meehan
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I want to extend my personal appreciation to Local 41 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,

[REDACTED]

Investigator

cc: David Marvin, Business Manager