

U.S. Department of Labor

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April 17, 2008

Mr. Allen Cook, Secretary-Treasurer
Laborers
Local 118
2430 E. Rand Road
Arlington Heights, IL 60004

LM File Number: 010-205

Case Number: [REDACTED]

Dear Mr. Cook:

This office has recently completed an audit of Laborers Local 118 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 Secretary Wendy Skidmore on December 27, 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 Local 118's 2006 records revealed the following recordkeeping violations:

1. General Credit Card Expenses

Local 118 did not retain adequate documentation for credit card expenses incurred by Local 118 President Martin Flannigan, Vice-President Leonel Esparza, and Secretary-Treasurer Allen Cook totaling at least \$2,777. For example, Cook failed to maintain receipts for credit card purchases totaling at least \$598 during the audit year.

2. Meal Expenses

Local 118 did not require officers and employees to submit itemized receipts for meal expenses for at least \$318. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 118 records of meal expenses did not always include the name and location of the restaurant, a written explanation of union business conducted, or the names and titles of 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.

3. Union Owned/Leased Vehicles

Local 118 did not maintain records necessary to verify the accuracy of the information reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2. Local 118 incurred expenses totaling at least \$6,980 for automobiles during 2006. However, Local 118 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for reporting of automobile expenses. The union must report operating and maintenance costs for each of its

owned or leased vehicles in Schedule 11 of the LM-2 allocated to the officer to whom each vehicle is assigned.

For each trip they take using a union owned to leased vehicles, officer must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and if business, the purpose of the trip.

4. Failure to Record Receipts

Local 118 did not record in its receipts records some dues checks received from members totaling at least \$3,297.00. For example, the Fifth Third bank statements indicate a deposit was made on January 6, 2006 in the amount of \$3,297.00, but there was no corresponding entry made in the union's QuickBooks receipts journal. Union receipt 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.

Based on your assurance that Local 118 will retain adequate documentation in the future, OLMS will take no further 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 From LM-2 filed by Local 118 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Item 22(A) – Cash Assets at the Start of the Reporting Period

It appears that the amount reported in Item 22(A) is not correct according to the union's books after reconciliation to the bank accounts. It appears that the local mistakenly noted three checks as outstanding at the end of the previous fiscal year that were either negotiated or voided. This resulted in the starting cash balance noted in Item 22(A) being underreported by approximately \$5,504. The instructions for Item 22(A) state that the checking account balance reported should be obtained from the labor organization's books as reconciled with the balances shown on the bank statement. As such, the local should have included the additional \$5,504 in Item 22(A).

2. Item 22(B) – Cash Assets at the End of the Reporting Period

It appears that the amount reported in Item 22(B) is not correct according to the union's books after reconciliation to the bank accounts. It appears that the local mistakenly noted one check as outstanding at the end of the fiscal year that was voided previously. This resulted in the end cash balance noted in Item 22(B) being underreported by approximately \$5,266. The instructions for Item 22(B) state that the checking account balance reported should be obtained from the labor organization's books as reconciled with the balances shown on the bank statement. As such, the local should have included the additional \$5,266 in Item 22(B).

3. Item 40 – Interest Receipts

It appears that the amount reported in Item 40 is not correct according to the union's books after reconciliation to the bank accounts. It appears that the local over-reported their interest receipts by approximately \$425. It appears that the local mistakenly reported approximately \$453 in other receipts as interest receipts. The instructions for Item 40 state that the local should enter the total amount of the interest received by the labor organization from savings accounts, bonds, mortgages, loans, and other sources. As such, the local should not have included the \$453 in Item 40.

4. Schedule 14 / Item 48 – Other Receipts

It appears that the amount reported in Schedule 14 and in Item 48 is not correct according to the union's books after reconciliation to the bank accounts. It appears that the local under-reported their other receipts by approximately \$1,032. It appears that the local mistakenly reported a portion of this amount in Item 40 – Interest Receipts and did not report the remaining \$579. The instructions for Schedule 14 state that the local should report receipts from all sources not covered in Items 36 through 47. As such, the local should have included the additional \$1,032 in Schedule 14 and Item 48.

I am not requiring that Local 118 file an amended LM-2 report for 2006 to correct the deficient items, but Local 118 has agreed to properly report the deficient items on all future reports it files with OLMS.

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I want to extend my personal appreciation to the Laborers Local 118 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: Martin Flannigan, President