



May 17, 2011

Mr. Gary M. Bretz, Business Manager
Laborers Local 574
1585 Harding Highway East
Marion, OH 43302

Case Number: [REDACTED]
LM Number: 013-320

Dear Mr. Bretz:

This office has recently completed an audit of Laborers Local 574 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 Recording Secretary Brenda Sand on May 5, 2011, 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.

Record Keeping 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 574's 2009 records revealed the following recordkeeping violations:

1. General Receipts and Disbursement Records

Local 574 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$479.54. For example, credit card purchases of at least \$479.54 were made by the union in April 2009, but individual receipts for all of the items purchased were not in the union's records.

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. Disposition of Property

Local 574 did not maintain an inventory of T-shirts, caps, and other property it purchased, sold, or 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 (Other Assets) 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.

If the union sells such items, the union must record in at least one record the date and amount received from each sale of T-shirts and other items.

Based on your assurance that Local 574 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 574 for fiscal year ending December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers/Employees

Local 574 erroneously credited and/or failed to credit some reimbursements to officers and employees/payments to officers and employees totaling at least \$4,870 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously ascribed some payments to officers or employees other than the ones whose names the payments should have been under.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 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.

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 caps totaling more than \$1,249.96 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

I am not requiring that Local 574 file an amended LM report for 2009 to correct the deficient items, but Local 574 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

The audit revealed that Local 574 permits officers and employees to use union credit cards to pay for personal expenses. Although the local has no knowledge of anyone ever utilizing this policy, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds. If the union continues to sanction such a policy, it should establish specific guidelines and procedures for the authorization and repayment of such use of the union credit cards.

I want to extend my personal appreciation to Laborers Local 574 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,



Senior Investigator

cc: Mr. Jeffrey L. Sparks, Laborers Local 574 President