



June 25, 2010

Mr. Mark Riley, Secretary Treasurer  
Laborers Local 96  
800 Roosevelt Road  
Glen Ellyn, IL 60137

Case Number: [REDACTED]  
LM Number: 022614

Dear Mr. Riley:

This office has recently completed an audit of Laborers Local 96 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 June 24, 2010, 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 96's 2009 records revealed the following recordkeeping violations:

#### Failure to Record Receipts and Disbursements

Local 96 did not record in its receipts and disbursement records checks that the local cashed for the union's officers totaling at least \$20,000. The checks were cashed using the cash on hand from the union's deposits. This practice caused the union to underreport its receipts and

disbursements on the union books. Union receipts and disbursement records must include an adequate identification of all money the union receives and disburses including checks that the union cashes for its members or officers. Receipt records should show the date and amount received, and the source of the money. Disbursement records should show the date and amount disbursed, and the name of the payees.

Based on your assurance that Local 96 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 96 for the fiscal year ended December 31, 2009, was deficient in the following areas:

#### 1. Checks Cashed by the Local

Local 96 did not include some check receipts from officers and cash disbursements to officers totaling at least \$20,000 for checks that the local cashed for union officers. This practice caused the union to underreport its receipts and disbursements on its Form LM-2. These receipts and cash disbursements should have been recorded in Schedule 14 (Other Receipts) and Schedule 18 (General Overhead), respectively. The union must report in Schedule 14 (Other Receipts) the labor organization's receipts from all sources, other than those that must be reported elsewhere in Statement B. The labor organization must report in Schedule 18 (General Overhead) disbursements to all entities and individuals that cannot be allocated to any of the other disbursement categories.

#### 2. Automobile Expenses

Local 96 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) disbursements for the operation and maintenance of union automobiles totaling at least \$18,000. It appears the local incorrectly reported these amounts with the amounts reported in Schedule 15.

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.

3. Money Market Funds Reported As Investments

Local 96 improperly included the value of its Schwab money market funds as an investment in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a money market fund to be cash. The purchase or redemption of a money market fund is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

4. Book Value of Investments

Local 96 incorrectly recorded the market value of its investments as the book value on line 2 and line 7 of Schedule 5 (Investments). Book value is the lower of cost or market value. A labor organization must report the book value, as defined in the Instructions for Form LM-2, in Schedule 5 (Investments) of the report.

Local 96 must file an amended Form LM-2 for the fiscal year ended December 31, 2009, 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](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than July 30, 2010. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

I want to extend my personal appreciation to Laborers Local 96 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: Mr. Joseph Riley, President