



June 24, 2016

Mr. Robert Noble, Treasurer
Insulators Local 42
1188 River Road
New Castle, DE 19720

Case Number: 140-6007218 [REDACTED]
LM Number: 005625

Dear Mr. Noble:

This office has recently completed an audit of Insulators Local 42 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 President Robert Burris and you on June 13, 2016, 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 42's 2015 records revealed the following recordkeeping violations:

1. Supporting Documentation for Disbursements

Local 42 did not retain adequate documentation bills and expenses incurred by Local 42 totaling at least \$32,539.56. For example, the local did not retain bills and invoices to for utility bills paid online to Comcast, Delmarva Power, and AT&T Mobile.

As 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. Receipt Dates not Recorded

Entries in Local 42's monthly receipts reports reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 42 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 42 for the fiscal year ended December 31, 2015, was deficient in that:

Disbursements to Officers and Employees (LM-2)

Local 42 did not include any officer salaries, reimbursements to officers and other payments to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must list the local's officers and report all salaries and other direct and indirect disbursements to officers during the reporting period. 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.

Local 42 must file an amended Form LM-2 for the fiscal year ended December 31, 2015, to correct the deficient item discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-

2 must be filed no later than July 8, 2016. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

1. Duplicate Receipts

Members of Local 42 pay dues directly to the union. In 2015, Financial-Secretary Frank Fleetwood would record dues payments in the union's receipts reports, but did not consistently issue receipts to dues payers. OLMS recommends that Local 42 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Electronic Payments

The audit revealed that Local 42 does not issue checks to pay for expenses for monthly bills such as AT&T Mobile, Comcast, and Delmarva Power. Instead, those expenses are paid electronically by electronic payment from the union's checking account. You advised that you make these payments this way because it is easier to schedule electronic payments than to write a large amount of checks per month. Most of the union's other expenses are paid by checks signed by you and President Robert Burris. Local 42's governing documents are silent with regard to the use electronic payments. The two signature requirement for checks is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. The use of electronic payments made by just one of the authorized check signers without a procedure requiring authorization by the second officer that typically signs union checks negates the purpose of the two signature requirement. OLMS recommends that Local 42 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Insulators Local 42 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. Robert Burris, President