

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 16, 2009

Mr. Paul Miller, Treasurer
Asbestos Workers AFL-CIO
Local 81
5000 J Street SW
Cedar Rapids, IA 52404

LM File Number 042-304
Case Number: [REDACTED]

Dear Mr. Miller:

This office has recently completed an audit of Asbestos Workers Local 81 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 12, 2009, 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 81's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 81 did not retain adequate documentation for reimbursed expenses incurred by Andrew Peine totaling at least \$15,000. You stated that the Midwest States Conference compensates the local for all of Peine's expenses. [REDACTED], Secretary of Midwest States Conference, confirmed that he receives supporting documentation for Peine's expenses.

As previously noted, 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. Meal Expenses

Local 81 did not require officers and employees to submit itemized receipts for meal expenses. 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 81's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, two receipts in October, Outback Steakhouse in the amount of \$135.20 and Joe's Crab Shack in the amount of \$30.07, did not include written explanations. 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.

3. Lost Wages

Local 81 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$4,289.11. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 81 did not retain any records to support lost wage claims.

I provided a sample of an expense voucher Local 81 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Lack of Salary Authorization

Local 81 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amount and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 81 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 81 for fiscal year ending December 31, 2008, was deficient in that Local 81 netted a \$75,000 loan to RJ Lee Associates, LLP. You stated the loan was used to start the local's independent welfare plan.

Under Statement B of the Labor Organization Annual Report Form LM-2, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization. Since Statement B reports all cash flowing in and out of the labor organization, "netting" is not permitted.

I am not requiring that Local 81 file an amended LM report for 2008 to correct the deficient items, but Local 81 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following 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 81's officers and employees are currently bonded for \$40,000, but they must be bonded for at least \$85,140. Local 81 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 not later than July 17, 2009.

Other Issue

Vacation Policy

As I discussed during the exit interview with you, the audit revealed that Local 81 does not have a clear vacation policy. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Asbestos Workers Local 81 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials

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provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

Enclosure

cc: Kevin Chandler, President