

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Washington, D.C. 20210



October 19, 2006

Mr. Dana Brigham
General President
International Union of Elevator Constructors, AFL-CIO
7154 Columbia Gateway Drive
Columbia, MD 21046

Dear General President Brigham:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has completed a second follow-up compliance audit under the International Compliance Audit Program (I-CAP), pursuant to the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The purpose of this second follow-up audit was to assess the progress of the International Union of Elevator Constructors (IUEC, or IU) in rectifying deficiencies identified during the original I-CAP audit and first follow-up review. This letter documents the areas reviewed and discussed with IUEC officials during the exit meeting conducted on June 15, 2006.

During the original I-CAP audit, which was concluded in a closing letter dated December 15, 2004, the I-CAP team identified numerous deficiencies, including violations of Sections 201 and 206 of the LMRDA as well as serious internal control issues. Because of the serious nature of these deficiencies, the I-CAP team scheduled a follow-up review, which concluded on September 14, 2005. As a result of that review, the I-CAP team concluded that although the IUEC had demonstrated some progress in correcting some deficiencies, not all deficiencies had been sufficiently rectified, and that further follow-up would be required.

The I-CAP team concluded on the basis of the initial audit and the first follow-up that:

1. Insufficient justification existed to support disbursements paid by the union for certain officer and employees expenses;

2. Explanations and substantiating documentation were insufficient to support the union purpose for the trips by officers' spouses for which expenses, incurred by the spouses, were reimbursed by the union; and
3. No documentation existed to support the business use of union-owned vehicles by officers of the union.

As a result of the initial audit findings and the continuing deficiencies identified during the first follow-up review, the I-CAP team advised the IUEC that a second, unscheduled, follow-up would be required. Please note that this letter does not purport to be an exhaustive list of all possible problem areas, since the initial audit and the follow-up reviews were limited in both scope and duration.

LMRDA Section 201 – Reporting Deficiencies

Section 201(b) of the LMRDA requires that labor organizations file with the OLMS an annual financial report that accurately discloses the union's financial condition and operations.

1. During the initial audit, the I-CAP team was unable to independently substantiate the union-related purpose behind numerous disbursement transactions arising from officer and employee expense reports. Specifically, union records often did not reflect a justification for the incurrence of such expenses, particularly when incurred by union officers for spouses accompanying them on travel, purportedly for union business purposes. Some examples of these instances include:
 - Receipts for meals, which were marked with explanatory phrases such as, "dinner," "lunch," or other similar phrases without explanation as to who attended such meals, or how such meals furthered IUEC interests.
 - Accompanying of union officials by their spouses, without explanation of how the presence of spouses furthered the interests of the IUEC.
 - Purchases incurred that did not readily appear to be union related, and for which no union purpose could be independently ascertained, such as those incurred from Bed, Bath & Beyond; Wilson's Leather Goods; and SkyMall.com.

During the first follow-up review, the IUEC demonstrated significant progress in adequately describing union purpose for business meals and for other ordinary expenses. However, with respect to spousal travel, the I-CAP team continued to

be unable to ascertain the union business purpose for spouses accompanying officers on union-related trips and for business-related meals.

During the second follow-up review, the I-CAP team found that although the number of such trips had significantly decreased, unsubstantiated spousal travel continued to occur. As noted previously, union policy permits reimbursement for spouses' expenses if they are for a union purpose, but the I-CAP team was unable to independently substantiate the purpose of spousal attendance at various business trips and/or meals. Although union officials stated that travel by spouses was justified on the basis that the social activities engaged in by spouses encourage union "solidarity," such generic justifications are insufficient to substantiate spousal travel at union expense.

LMRDA Section 206 - Inadequate Recordkeeping

Pursuant to Section 206 of the LMRDA, every person required to file any report under Title II of the LMRDA must maintain records on the matters reported which will provide, in sufficient detail, the information and data from which the documents may be verified, explained, or clarified and checked for accuracy and completeness.

2. During the second follow-up review, the I-CAP team determined that unsubstantiated spousal travel continued to occur. The IUEC provided a blanket statement that the presence of spouses on such occasions was justified because it built "union solidarity." To satisfy the Section 206 recordkeeping requirement, the union must create and maintain, on a contemporary basis, records that clearly identify the union purpose of spousal travel. Such records should be maintained with records detailing each expense associated with such expenditures.
3. During the first follow-up audit, the I-CAP team ascertained that although the three primary union officers were permitted personal use of union-owned vehicles, there were no records to corroborate either personal or business use of these vehicles. According to reports submitted by the General President, the Assistant to the General President, and the Secretary-Treasurer, the only mileage incurred as the result of personal use of these vehicles was the respective commutes from the officers' homes to the office. The officers' reports were used to compute officer compensation and for Internal Revenue Service reporting purposes. However, the I-CAP team could not independently verify these reports because the union officers did not maintain, or did not submit to the union, any documentation to support the mileage. As a result, the I-CAP team identified the lack of mileage controls as a deficiency and informed the union that documentation such as mileage logs would be required to support future officer mileage reporting.

During the second follow-up audit, the I-CAP team examined mileage logs for each of the three officers' union-provided sports utility vehicles, and attempted to verify the accuracy of the information contained therein.

The I-CAP team determined that IUEC officers are currently maintaining mileage logs with the date, number of miles driven, starting and destination points, and union business purpose of both union-related and non-union related trips. However, many of the distances reported by officers for individual union-related trips differed significantly from distances reported by commercially available tracking engines. For example, the mileage estimate reported by the General President for a trip to South Carolina was 600 miles more than the mileage estimate for the same trip available from Mapquest™ and Yahoo!™ Maps. In addition, many personal trips (medical and dental appointments, haircuts, etc.), which were shown to have occurred on IUEC officers' calendars, did not appear in the mileage logs as personal mileage. Because of these discrepancies, the I-CAP team could not independently substantiate the accuracy of the mileage logs provided by union officials.

Internal Controls

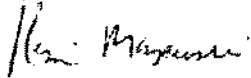
Adequate internal financial controls are essential to prevent the misuse of union funds and to support financial responsibility and other obligations under Titles II and V of the LMRDA. Title V of the LMRDA stipulates, among other things, the fiduciary responsibility of officers of labor organizations. As a general matter, weaknesses in financial controls can lead to violations of Section 501 of the LMRDA.

4. The IUEC's expense policy permits officers to authorize spousal travel whenever such travel would be in the "best interests of the union." To better safeguard IUEC funds, the I-CAP team recommends that the IUEC revise this policy to include provisions specifying under which specific conditions and within what spending limits such travel can be authorized at union expense.

As discussed with representatives of the IUEC over the course of these audits and at the conclusion of the second follow-up, the I-CAP team continues to have concerns relating to the IU's compliance with certain provisions of the LMRDA. Because of these ongoing concerns, OLMS may schedule an additional follow-up review in order to ensure full and complete compliance with LMRDA requirements.

In closing, please accept my appreciation for the support and cooperation of you and your staff during the audit process. If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kim Marzewski".

Kim Marzewski,
Chief, Division of International Union Audits