



September 20, 2011

Mr. Bill Biggerstaff, Financial Secretary-Treasurer
UNITE HERE Local 450
7238 W. Roosevelt Road
Forest Park, IL 60130-0166

Case Number: [REDACTED]
LM Number: 022738

Dear Mr. Biggerstaff:

This office has recently completed an audit of UNITE HERE Local 450 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 your accountant Tom Caplice at MacNell Accounting & Consulting LLP, Office Manager Bonnie Biggerstaff, and you on September 19, 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.

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 450's 2010 records revealed the following recordkeeping violations:

1. Information not Recorded in Meeting Minutes

During the audit, Mr. Biggerstaff advised OLMS that the executive board, at its monthly meeting on February 19, 2007, reaffirmed its authority to approve any individual expense exceeding \$2,500. However, the union issued single disbursements during the audit year exceeding \$2,500, but the minutes to the executive board meetings do not contain any reference to approvals for those expenses. For example, a disbursement of \$3,000 to Lalo's Restaurant on check number [REDACTED] dated December 21, 2010 was not approved in the minutes. Minutes of all executive board or membership meetings must report any such disbursement authorizations made at those meetings.

2. Lack of Salary Authorization

Local 450 did not maintain records to verify that the salaries and additional vacation checks reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2 were the authorized amounts and therefore were correctly reported. Article IX, Section 4 of the Bylaws for Local 450 states that the executive board recommends all salaries, wages, and compensation for officers and employees to the union membership for their final approval. Therefore, the union must keep a record in the meeting minutes to show the current salaries of officers and employees and any other compensation authorized by the union.

3. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2. Local 450 incurred expenses totaling at least \$25,000 for automobiles during 2010. However, Local 450 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2 allocated to the officer or employee to whom each vehicle is assigned. For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

Based on your assurance that Local 450 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 450 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Trust Funds

Item 10 (During the reporting period did the labor organization participate in the administration of a trust or a fund which provides benefits for members or beneficiaries?) was incorrectly answered, "No." The audit revealed that Bill Biggerstaff, Financial Secretary-Treasurer of Local 450, participated as a trustee in the administration of the UNITE HERE Health Fund and the UNITE HERE National Retirement Fund during 2010. Therefore, Item 10 should have been correctly answered "Yes" in Local 450's LM report.

2. Fidelity Bond

Item 14 (What is the maximum amount recoverable under the labor organization's fidelity bond?) was incorrectly answered as \$200,000. The audit revealed that Local 450 has bonding coverage with Federal Insurance Company for \$250,000. Item 14 should have been answered as \$250,000.

3. Disbursements to Officers and Employees

Local 450 did not report the names, salaries, and reimbursements of some officers in Schedule 11 (All Officers and Disbursements to Officers). The union must report in Schedule 11 all persons who held office during the year regardless of whether they received any payments from the union. Local 450 also did not report the name, salary, and reimbursements of an employee in Schedule 12 (Disbursements to Employees) totaling at least \$7,500. It appears that the local erroneously reported these payments in Schedules 15 through 19. Local 450 must report in Schedule 12 all salaries and reimbursements of employees that were paid by the union during the year.

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.

I am not requiring that Local 450 file an amended LM report for 2010 to correct the deficient items, but Local 450 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

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.

The audit revealed that Local 450's bond includes a \$5,000 deductible, which is a form of self-insurance that fails to meet the bonding requirements of the LMRDA. Local 450 is required to obtain a bond without a deductible. At the exit interview on September 19, 2011, Local 450 provided a certificate of bonding coverage that excluded a deductible. Therefore, no additional action is required.

I want to extend my personal appreciation to UNITE HERE Local 450 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: Alfonso Garcia, President