



May 25, 2005

Mr. James Annis  
President  
Laborers Local 113  
6310 West Appleton Ave  
Milwaukee, WI 53210

Dear Mr. Annis:

This office has recently completed an audit of Laborers Local 113 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 union's treasurer, Nacarci Feaster on May 12, 2005, 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 record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following recordkeeping violations were revealed during the audit of Laborers Local 113's 2004 records:

1. Local 113 failed to retain the certificate for Local 392's certificate of deposit at **4**. Additionally, Local 113 failed to retain bank statements from Local 237's Stamp and Vacation Fund, Deduction Account, and Premium Business Checking for the period June 2004 to September 2004.

As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

2. Local 113 failed to retain supporting documentation such as bills, invoices, and receipts for various disbursements during June 2004. As examples, supporting documentation was on

retained for check #15523 to an unknown member for a dues refund, for check #15562 to ~~4CC~~ ~~4CC~~; for check #15580 to the U.S. Postmaster, and for check 15595 to AAA Wisconsin for insurance. In addition, records were not maintained for checks to Ameritech, Wisconsin Electric, and AT&T in June 2004.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

3. Union officers and employees failed to retain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses which were direct-paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

In the case of Local 113, officers and business representatives were paid travel allowances to attend conventions; however, no supporting documentation was retained showing the date, the amount, and the business purpose for these expenses. Additionally, some supporting documentation was not retained for gas and auto allowances paid to officers and business representatives during the audit year.

Additionally, Business Manager John Schmitt failed to retain receipts for credit card charges totaling \$962.68 during the audit year, and Mr. Feaster failed to retain receipts for credit card charges totaling \$1,921.48. Receipts must be retained for all credit card charges, and the credit card statement alone is not sufficient supporting documentation. Also, supporting documentation was not retained for credit card expenses incurred by Business Representatives Steve Bako and John Krauss in June 2004.

4. Local 113 failed to record some deposits and debit memos for multiple accounts, such as the index account, in the local's records during the audit year. The date, amount, purpose, and source of all money received and disbursed by the union must be recorded in at least one union record.
5. The audit revealed that Local 113 did not retain bank statements, cancelled checks, voided checks, and supporting documentation for the retiree and disabled members checking account held at ~~4~~ ~~4~~ in Local 113's name.

As previously noted, all types of records created or used in the normal course of doing union business must be maintained by the union for five years. The date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. The date, the payee, the business purpose, and amount of all disbursements must be recorded in at least one union record, and adequate supporting documentation must be retained for all disbursements made from the retiree checking account.

6. The union failed to retain an inventory of hats, t-shirts, and other property totaling at least \$30,000 that was purchased and given away. Records must be retained which account for all union property. In the case of union hats, jackets and other items sold to members, the date and amount received from every sale must be recorded in at least one record. The detail of records required to be maintained for items given away is somewhat dependant upon the manner in which the property is distributed. For example, if the union purchased one calendar for every member and then mailed the calendars to members on one date, the union could satisfy its record keeping responsibilities by simply recording all pertinent information (number purchased, date of distribution, etc.) on the invoices for the purchase of the calendars.

The proper maintenance of union records for business expenses is the personal responsibility of the individuals required to file Local 113's LM report. Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records.

Local 113's records will be reviewed by this office again within the next six months to ensure that the above record keeping violations have been corrected.

#### Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 113 for fiscal year ending June 30, 2004 was deficient in the following areas:

1. Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of "No," because Local 113 gave away hats, shirts, and other items to members totaling at least \$28,000 during the year. The type and value of any property received or given away must be identified in Item 75 (Additional Information) of the LM report with the identity of the recipient(s) or donor of such property. The value of any property on hand at the beginning of the year must be reported in Schedule 3 (Other Assets) of the LM-2.

In the case of union hats and other items distributed to a large number of members, the names of all members receiving such items need not be reported in the additional information section. Instead, the union may simply identify the type and value of property given away and identify the

2. Local 113 incorrectly reported in Schedule 9 (All Officers and Disbursements to Officers) the names of some individuals who are not officers of the union. The Local 113 bylaws identify the union's officer positions as: president, vice president, secretary-treasurer, sergeant at arms, two trustees/auditors, and an executive board member. The salaries and payments to the field representatives, organizers, and business representatives should be reported in Schedule 10 (Disbursement to Employees).

I am not requiring that Local 113 file an amended LM-2 report for fiscal year ending 06/30/04 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

I want to extend my personal appreciation for Mr. Feaster, Sandra Bishop, Pam Maciejewski and the rest of your staff for their cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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Investigator

cc: Nacarci Feaster, secretary-treasurer  
John Schmitt, business manager  
330-07688(77)