U.S. Department of Labor

Office of Labor-Management Standards
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March 18, 2016

Mr. Denis Taylor, IBT Trustee
Ohio Conference of Teamsters
[redacted]

Case Number: 350-6006337[redacted]
LM Number: 035-386

Dear Mr. Taylor:

This office has recently completed an audit of the Ohio Conference of Teamsters (OCT) 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 on March 10, 2016 with you, Secretary/Treasurer Patrick Darrow, and George Faulkner, Esquire; 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 the OCT's 2014 records revealed the following recordkeeping violations:

1. Lack of Authorization for Salary Payments & Benefit Plan Reimbursements

   The OCT failed to maintain adequate 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 amounts that had been properly authorized by the OCT executive board. Similarly, the OCT failed to maintain records to verify that benefit plan reimbursements it paid to Teamsters Local 20 and Teamsters 114, reported in Schedule 15 (Representational Activities) of the LM-2, had been authorized by the executive board. Unions must maintain records, such as meeting minutes, to show the current authorized salaries and benefit plan reimbursements. During the exit interview, you provided meeting minutes verifying that the OCT executive board has since updated and revised authorizations regarding salaries and benefit plan reimbursements.

2. Lack of Authorization for Disbursements in Meeting Minutes

Minutes of all executive board meetings must report any disbursement authorizations made at those meetings. Although the OCT recorded authorizations for some disbursements in its meeting minutes, the authorizations for many of the OCT disbursements made during 2014 were not reflected in the minutes. In particular, Article VI, Section 2(l) of the OCT's bylaws provide, in part, that "…All expenditures, investments, contributions, sales or acquisition of property whether real or personal which exceeds, in any one instance, the sum or value of an amount equal to $5,000, shall need the approval of the Executive Board…"

However, the audit revealed numerous disbursements of $5,000 or above, totaling $387,128.42 which did not have executive board approvals recorded in the meeting minutes. For example, the OCT made 12 monthly retainer fee disbursements of $10,000 to its legal counsel Doll, Jansen, and Ford, for which no approvals were reflected in the minutes. During the exit interview, you agreed to properly record authorization of future disbursements in the meeting minutes. Furthermore, the recent meeting minutes you provided me at the exit interview indicate that the OCT is now properly recording authorizations for disbursements.

3. General Reimbursed and Credit Card Expenses

In general, the OCT retained adequate documentation for credit card expenses incurred by union officers and employees. However, the audit revealed some instances where individual vendor receipts were either missing or lacked a sufficient description of the union purpose of the charge. You agreed to ensure that adequate documentation is maintained for all future credit card expenses. I also note that, during the exit interview, you provided a copy of a detailed expense policy approved by the OCT executive board, which was implemented effective December 21, 2015.

Based on your assurance that the OCT 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 the OCT for fiscal year ending December 31, 2014, was deficient in the following area:

1. Acquire/Dispose of Property

   The audit revealed that the OCT purchased some assets during 2014 and disposed of them in a manner other than by sale. For example, the OCT purchased seven sets of golf clubs, totaling $4,414.55, which it donated to various OCT locals. Furthermore, the OCT purchased and gave away gifts at its annual golf tournament, totaling at least $5,393.27. These gifts were not properly reported on the 2014 LM-2 report. Specifically, unions must identify, in the additional information section of the LM report: the type and value of any property given away along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as “members” or “new retirees.”

2. LM-15 Trusteeship Report

   Title III of the LMRDA establishes certain reporting requirements when a labor organization assumes a trusteeship over a subordinate labor organization. In particular, Section 301 requires, among other things, that a labor organization assuming a trusteeship file an LM-15 report with the Secretary of Labor within 30 days of the imposition of a trusteeship. We discussed this at the exit interview and you were aware of the filing requirement. You also recalled preparing and signing an LM-15. However, we do not have a record of receiving the report.

I am not requiring the OCT to file an amended LM-2 report to correct the deficient item described above. However, the OCT has agreed that, if it gives away such assets in the future, it will properly report the details in the additional information section of future reports it files with OLMS. Additionally, you have agreed to research the LM-15 matter and contact me as soon as possible.

Other Issues

Lack of Internal Controls

To prevent, or at least inhibit, the misuse or embezzlement of their funds, unions should install internal controls over the handling of their finances. Adequate and effective internal controls require a separation of functions and responsibilities among a number of individuals who are actively involved in the financial process and who provide a system of “checks and balances” over each other’s activities. Union officials who either do not install or enforce internal financial controls place their organization at great risk of fraud.

The audit revealed that during 2014, the OCT's officers failed to enforce internal financial controls prescribed in the OCT's own bylaws and by the International Brotherhood of Teamsters. For example, the OCT's president and secretary/treasurer did not review or sign any of the 2014 disbursement checks or examine the supporting documentation for those checks. Essentially, the OCT officers relied upon one OCT administrative official to handle all funds, with no oversight. Furthermore, the OCT's trustees—who were required to conduct regular, periodic examinations of the books and records—did not fulfill their duties.

However, as explained to me during the exit interview, the OCT is now enforcing internal controls. For example, the president and secretary/treasurer examine supporting documentation and physically review and sign all disbursement checks. Additionally, trustees are now conducting regular, periodic examinations of the OCT's books and records. I recommend the OCT periodically review its internal controls, in the future, and change operating procedures as necessary to ensure the continual proper handling and safeguarding of the union's funds.

I want to extend my personal appreciation to the Ohio Conference of Teamsters for the cooperation and courtesy extended during this compliance audit. I strongly recommend 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,

[redacted]
Senior Investigator

cc: Mr. George H. Faulkner, Esquire
Mr. Patrick J. Darrow, Secretary/Treasurer