



August 8, 2005

Mr. Robert Danley, Business Manager
Roofers, Local 96
312 Central Avenue, Room 456
Minneapolis, MN 55414

Re: 2-

Dear Mr. Danley:

This office has recently completed an audit of Roofers Local 96 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 and Bookkeeper Mollie Nugget on July 19, 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 recordkeeping 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 doing union business must be retained. In the case of disbursements, this includes 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 disbursements, the goods or services received, and the identity of the recipients of the goods or services. In the case of receipts, records must include the date, amount, purpose, and source of all monies received by Local 96.

The following record keeping violations were revealed during the audit of Local 96's records for its fiscal year ending 6/30/04:

i Income not recorded

Local 96 failed to record in its records interest earned from certificates of deposit and a savings account. For example, the union's sweep account earned interest of \$3,126.63 during the audit year, but the interest was not recorded as a receipt in union records.

Local 96 retained records that identify the total amount of dues remitted from each member through employer dues check-off collections, but failed to record in its records the date, amount and source of the payments from the employers. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

2. Documentation not retained for expenses

Adequate documentation was not retained for some expenses charged to the union credit card by Local 96's business agents, including meals and food for meetings. For example Business Agent Eric Anderson charged \$72.37 to the union credit card at the Hungry Peddler in September of 2003. A note on an expense voucher states that the purpose of the expense was "Union meeting - Xmas party." No receipt was retained for the expense, and the noted purpose does not adequately identify the business purpose of the expense. As another example, business agent Harry Johnson charged \$115.74 at Target on 08/13/03, but no receipt was retained for the expense and the business purpose was not recorded on any record.

3. Employee Mileage Logs and Gas Expenses

In the case of credit card and reimbursed expenses, the documentation retention 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.

4. Mileage logs and documentation for gas expenses not retained

All the business agents received monthly automobile expense payments during the audit year as allowances for the business use of their personal automobiles. In addition, those individuals charged gasoline expenses with Local 96's gas card, gas card, or occasionally the credit card, which were direct paid by Local 96. However, those individuals failed to maintain mileage logs documenting the business use of their automobiles. Mileage logs must be maintained to verify how gasoline and other operating expenses paid by Local 96 are reported in columns F or G of Schedule 10 of the LM-2.

Additionally, several business agents failed to submit adequate documentation for gas expenses that were charged to the union's credit cards. For example, Business Agent Gene Harrison charged a total of \$1,437.86 to the union's gas card but was unable to locate any receipts to support the expenses. Original receipts must be retained for all expenses.

5. Voided checks not retained

Voided checks were not retained.

The proper maintenance of union records for business expenses is the personal responsibility of the individuals required to file Local 96'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.

As agreed, provided that Local 96 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation. As discussed during the exit interview, Local 96's records will be reviewed by this office again within the next six months to ensure that the above recordkeeping 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 96 for fiscal year ending 6/30/04 was deficient in the following areas:

1. Outside Audit

Item 14 (Did your organization have an audit or review of its books and records by an outside accountant or by a parent body auditor/representative?) was answered "No," but during the union's fiscal year an audit was completed by an outside accountant. Item 14 should have been checked "Yes" with the name of the accountant who performed the audit reported in Item 75 (Additional Information), as required by the LM-2 instructions.

2. Cash

Item 25(A) and 25(B) (Cash) are deficient because the cash figures reported reflect only the amount on deposit in Local 96's checking account at the beginning and end of the reporting year. The amounts should reflect a total of all monies, both deposited to bank accounts and undeposited funds on hand. It appears that the union's savings accounts, money market fund, and certificates of deposit were erroneously reported in Schedule 2 (Investments).

3. Sale of Investments and Fixed Assets

The amount reported in Item 49 (Sale of Investments and Fixed Assets) and Item 68 (Purchase of Investments and Fixed Assets) are incorrect. Both items appear to include a \$325,000 fund transfer from the money market account to the checking account. Certificates of deposit, money market funds, and savings accounts regardless of their term, are, for LM reporting purposes, considered cash. The redemption of a CD is not a sale of an investment, nor is the purchase of a CD a purchase of an investment.

4. Stock Dividends

Dividends received from stock appear to have been erroneously reported in Schedule 14 (Other Receipts). Income from dividends is required to be reported in Item 47 (Dividends).

5. Improper Category Reported

Schedule 13 (Office and Administrative Expenses), Schedule 14 (Other Receipts), and Schedule 15 (Other Disbursements) each identify disbursements described as "Other." Receipts reported in this schedule may be classified by general groupings or bookkeeping categories if the descriptions are sufficient to identify their source. Receipts may not be described as "miscellaneous" or "other," because those classifications are not sufficiently descriptive.

6. Officer and Employee Expenses

Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees) were not properly completed.

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (Expenses, Including Reimbursed Expenses). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedule 9 or 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Item 60 (Office and Administrative Expenses). Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements).

In the case of Local 96, monthly allowances paid to business agents for automobile expenses were not reported in Column E (Allowances) of Schedules 9 and 10. In addition, Local 96 failed to report at least \$17,000 in credit card expenses in either columns F (Disbursements for Official Business) or G (Other Disbursements).

All direct reimbursements to an officer or employee and indirect disbursements to other parties for meal expenses incurred by your union's officers or employees while conducting union business must be reported in Column F of schedule 9 or 10, and the disbursements may be allocated among the officers or employees who incurred the expenses.

7. Bonding

LM-2 report filed for fiscal year ending June 30, 2004, reported the local's bond to be \$100,000. Local 96's records show that officers and employees are bonded for \$350,000 and were bonded for \$220,000 during fiscal year ending June 30, 2004. Please be sure that this amount is correctly reported on all future LM-2 reports.

It will be necessary for Local 96 to file an amended LM-2 report for fiscal year ending June 30, 2004 to correct the deficient items discussed above. The necessary reporting forms and instructions are enclosed for your use. Please enter an "X" in the box for Item 3(a) AMENDED on the enclosed blank form and return your union's completed amended report to the OLMS Minneapolis Resident Office at the above address by August 26, 2005.

The LM form is also available on computer software which can be downloaded from the OLMS Web site. The OLMS Download Page can be reached from the Quick Links box on the OLMS home page at www.olms.dol.gov or directly at:

<http://union-reports.dol.gov/olmsWeb/docs/downloadpg.html>

The page includes detailed instructions for system requirements, downloading the software, and installing the software. Individuals who have difficulty with the download and/or installation process should call the Electronic Forms Help Desk at 1-866-319-2675.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to your successor at whatever time you may leave office.

I want to extend my personal appreciation to you and your entire staff for your 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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cc: Ray Waldron, President

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Enc: Blank LM forms and instructions