



December 22, 2005

Mr. Dennis Freed, President
Iron Workers, Local 520
7400 Ozark Road
Kansas City, Missouri 64129

Dear Mr. Freed:

This office has recently completed an audit of Iron Workers Local Union 520 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provision of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you, Financial Secretary Kevin Fast and Office Secretary Lee Vermillion on December 20, 2005, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since this compliance audit was limited in scope.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 of the Act requires, among other things, that adequate records be maintained by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarify the accuracy and the completeness of reports required to be filed with this office.

The following record keeping deficiencies that were in violation of Section 206 were found during the audit of Local 520's fiscal years 2004 and 2005 records:

1. Financial Report at Members Meeting

The local's minutes were found lacking in specific authorization for all disbursements. All financial matters approved by the Executive Committee should be disclosed to the membership and properly recorded in the meeting minutes. In the minutes reviewed during the CAP, the treasurer's report only provided a total for the monthly disbursements with no specific breakdown for each expenditure. To satisfy the criteria of Section 206 of the LMRDA the local must maintain a record to explain, verify and clarify the accuracy and completeness of each expense as well as the authorization. Membership meeting minutes should reflect the membership's approval for all disbursements.

2. Receipt Records

During the CAP it was learned that the local maintained member ledger cards to record dues payments. As discussed in the exit interview, member ledger cards by themselves are not considered to be a sufficient record to verify the accuracy of all monies received. To be in compliance of the LMRDA, the local must maintain a record of all income that shows the exact date money was received, the identity or source and amount for the primary purpose of verifying its bank deposits. The records provided during the CAP were found to be insufficient for this purpose. It is suggested that the local contact its international union or a local office supply store and purchase a receipt journal and/or a duplicate receipt book to help achieve compliance.

Although these record keeping deficiencies were not perceived to be willful and no further enforcement action will be taken at this time, the requirements of Section 206 should be pointed out to all union personnel to ensure future compliance. You are also reminded that records required under Section 206 must be maintained for five years.

The CAP also disclosed a violation of LMRDA section 201(a). LMRDA section 201(a) requires that unions submit a copy of their current constitution and bylaws with its LM Report when changes are made during the reporting period (other than rates of dues and fees). Local 520 amended its constitution and bylaws in 2000, but a copy of that constitution and bylaws was not on file with this office. Since you provided this office with a copy of your most recent bylaws during the course of the CAP, no further action is warranted. In the future when changes are made to the constitution and bylaws, other than rates of dues and fees, follow the LM-3 online instructions for Item 21 at: http://www.dol.gov/esa/regs/compliance/olms/LM-3_Instructions_AR.pdf

During the CAP, it was learned that the local contracts with an accounting service to prepare its checks. After preparation, the accounting service returns the checks to the union for approval, signatures and transmittal. It was also learned that the union has a separate checkbook kept at the union office but there is no procedure for transmitting the few disbursements that are made from that checkbook to the accountant to record in the disbursements journal. CAP findings disclosed numerous checks prepared by the local's hired accountant that were not promptly transmitted to the payee. CAP findings disclosed that the accountant includes the checks written on the union checkbook in her reconciliation when they are found on the bank statement. Holding checks that have been written on the checking account and not sending them out for long periods of time is considered a poor financial practice. Not including union written checks in the disbursements journal prepared by the accountant is also considered poor financial practice. Officers have fiduciary responsibilities and duties to their office and the membership. If duties are delegated to an office secretary or other staff, that individual must be closely monitored to guarantee completion of the duty. This office recognizes that the local has taken steps to correct the weakness by removing the staff person responsible. The union has further agreed to establish a procedure to inform the accountant of the union written checks so that they will be recorded promptly in the disbursements journal.

I want to extend my personal appreciation to you and your staff for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please call.

Sincerely,

Dennis L. Eckert
District Director

By: 
Investigator

cc: Mr. Kevin Fast, Financial Secretary
Iron Workers Local Union 520
7400 Ozark Road
Kansas City, Missouri 64129

Mr. Lee Vermillion, Office Secretary
Iron Workers Local Union 520
7400 Ozark Road
Kansas City, Missouri 64129