



December 1, 2010

Mr. Marvin Cartwright Jr., President
Boilermakers Lodge 107
7659 Lake Bluff Road
Gladstone, MI 49837

Case Number: [REDACTED]
LM Number: 012656

Dear Mr. Cartwright Jr.:

This office has recently completed an audit of Boilermakers Lodge 107 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, Business Manager Blane Tom, Business Representative Pat McMahon, Office Manager Claudia Geitz, and CPA David Schneckenburg on November 10, 2010, 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 Lodge 107's 2010 records revealed the following recordkeeping violations:

1. Receipt Dates Not Recorded

Entries in Lodge 107's dues membership program reflect the date the money was entered (posted) but not the date the money was received. Office Manager Claudia Geitz advised that monthly dues receipts are often posted in the membership program several days or even weeks

after the actual date on which they were received. In addition, Lodge 107 receives field dues checks from employers throughout each month; however, the field dues checks are not entered into the union's QuickBooks accounting software program until the end of the month. The QuickBooks general ledger reflects the date the money was deposited, not the date the money was received. Receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

2. Meal Expenses

Lodge 107 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$2,500. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Lodge 107 records of meal expenses generally included written explanations of the union business conducted and the names of those incurring or receiving the benefit of the restaurant charges, but not the titles of those persons. For example, the supporting documentation for a meal expense (\$307.54) incurred at the Fat Pelican in Marco Island, Florida on March 2, 2010, identified the eaters as Roger, Gretchen, Blane, Judy, Pat, Beth, and Bob; however, no additional identifying information about those present for the meal was recorded.

Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Lack of Salary Authorization

Lodge 107 did not maintain records to verify that the salaries that are required to be reported in Schedule 12 (Disbursements to Employees) of the LM-2 as paid to Mr. Terry Cartwright and Mr. Darrel Wright were the authorized amounts. During the audit, Business Manager Blane Tom indicated that he had an oral agreement with Mr. Terry Cartwright and Mr. Darrel Wright regarding their compensation as union employees. However, a verbal agreement is not sufficient. Lodge 107 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

Furthermore, Lodge 107 failed to retain adequate records for the salary payments. During the audit, Mr. Tom advised that he agreed to pay a specified hourly rate to Mr. Cartwright and Mr. Wright; however, Lodge 107 did not keep adequate payroll records to show how the salary payments were computed (for example, the number of hours worked or the wage rate paid).

Based on your assurance that Lodge 107 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 Lodge 107 for the fiscal year ended June 30, 2009, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15(During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because Lodge 107 gave away almost \$3,000 in promotional items to their members, including stickers, pocket calendars, and t-shirts. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Allocation of Officers' Time (Schedule 11)

Lodge 107 failed to allocate any of the officers' time in Schedule 11 (line I) to representational activities. During the exit interview, both you and Business Manager Tom advised that each of you spend a significant portion of time representing members in activities such as contract negotiations and contract enforcement; yet 100% of your time and 70% of Mr. Tom's is allocated to General Overhead (Schedule 18), with the remaining 30% of Mr. Tom's time allocated Administration (Schedule 19).

As noted on page 22 of the LM-2 instructions for reporting percentages in Schedules 11 and 12, only good faith percentages are required; however, the estimates should be based on the best information and knowledge available to the officers.

3. Disbursements to Officers and Employees

Lodge 107 did not include some payments to or on behalf of officers totaling at least \$12,000 in Schedule 11 (All Officers and Disbursements to Officers). A review of the Lodge's general ledger in QuickBooks revealed that Lodge 107 disbursed more than \$15,000 to you directly during fiscal year 2009 for travel and other business expenses. However, the total amount reported in Column F (Disbursements for Official Business) of Schedule 12 was only \$10,289. In addition, the Lodge's records also identify more than \$7,300 in meal and entertainment expenses that were charged to union credit cards but were not reported in Schedule 11. During the audit, Office Manager Geitz confirmed that these expenses were booked to a general

“meeting” category and were not included in the amounts reported in Schedule 11. It appears that these payments were erroneously reported in Schedules 15 through 19.

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur must be reported in Column F of Schedules 11 and 12. However, 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 must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

4. Failure to File By-laws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Lodge 107 amended its constitution and bylaws in 2007, but did not file a copy with its LM report for that year.

Lodge 107 has now filed a copy of its constitution and bylaws.

I am not requiring that Lodge 107 file an amended LM report for 2009 to correct the deficient items, but Lodge 107 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Boilermakers Lodge 107 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: Mr. Blane Tom, Business Manager/Secretary -Treasurer
Mr. Gerard Maciejewski, Vice President
Mr. Pat McMahan, Trustee