

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Buffalo District Office  
130 South Elmwood Street  
Room 510  
Buffalo, NY 14202-2465  
(716)842-2900 Fax: (716)842-2901



March 3, 2008

Mr. Herman Morse, Financial Secretary  
Ironworkers AFL-CIO  
Local 470  
106 Water Street  
Jamestown, NY 14701-6935

LM File Number 022-074  
Case Number: [REDACTED]

Dear Mr. Morse:

This office has recently completed an audit of Iron Workers Local 470 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 on February 29, 2008, 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 Local 470's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 470 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$1,065. For example, reimbursements were made to officers for meeting hall rental, refreshments, Christmas party costs and travel expenses for which no original receipts or invoices were retained. Also, Applebee's and Wal-Mart gift cards totaling at least \$280 were purchased for members of Local 470, but the union retained no records regarding distribution of these gift cards.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Lost Wages

Local 470 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$360. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 470 did not maintain records in support of lost wage reimbursement payments.

During the exit interview, I provided you with a copy of *Conducting Audits in Small Unions: A Guide for Trustees*, which contains a sample of an expense voucher that Local 470 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Failure to Record Receipts

Local 470 did not record in its receipts records some payments received from officers, checks received from the District Council and interest earned on a bank account totaling at least \$354. For example, payments made to Local 470 from the District Council for officers' travel expenses and interest earned on Local 470's savings account were not recorded in union receipts records. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the executive board authorizes all disbursements at its monthly meetings. However, the minutes of the meetings do not contain any reference to some disbursements that were made by Local 470, such as the purchase of food and prizes for a union picnic, lost wages paid to officers and stewards, purchases of office supplies and payments for Christmas party expenses. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 470 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-3, filed by Local 470 for fiscal year ending June 30, 2007, was deficient in the following areas:

1. Disbursements to Officers

Local 470 did not include some reimbursements to officers totaling at least \$2,680 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 470 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Disbursements to Employees

Local 470 did not include some disbursements to employees, such as payments to stewards for lost wages and dues reimbursement, in Item 46 (Disbursements to Employees). It appears that Local 470 erroneously reported these payments in Item 48 or Item 54. All salaries, allowances, travel advances which are not considered loans, lost time payments and other direct and indirect disbursements to individuals other than officers, even if your organization does not consider them to be employees, should be included in Item 46.

3. Failure to File Bylaws

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. Local 470 amended its bylaws in 2007, but did not file a copy with its LM report for that year.

Local 470 has now filed a copy of its bylaws.

I am not requiring that Local 470 file an amended LM report for 2007 to correct the deficient items, but Local 470 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Signing Blank Checks

During the audit, you advised that Drew Tarr, president of Local 470, sometimes signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 470 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Iron Workers Local 470 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: Drew Tarr, President  
Jonathon Jaquish, Recording Secretary  
Frederick P. Cardinale, CPA