



December 14, 2012

Mr. Ted Watson, Business Manager
Insulators LU 74
1501 E. Aurora Avenue
Des Moines, IA 50313

Case Number: [REDACTED]
LM Number: 037459

Dear Mr. Watson:

This office has recently completed an audit of Insulators LU 74 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 December 14, 2012, 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 74's 2011 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 74 did not retain adequate documentation for credit card expenses incurred by Business Manager Ted Watson totaling at least \$5,600 and incurred by President Jeff Brose totaling at least \$1,500. For example, no receipts were retained for a May 2011 trip Mr.

Brose took to Kansas City. The expenses included hotel, meals, and gas and totaled \$608.85.

As 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.

OLMS recommends that Local 74 prepare and approve a written policy to prohibit officers of the local from using their union issued credit cards to make personal purchases. Even if the officer reimburses the local for these personal purchases, they are viewed by OLMS as unauthorized loans. Personal use of a union credit card may be prosecuted criminally under the provisions of 29 USC 501(c) of the LMRDA.

During the exit interview, Mr. Watson advised that Local 74 recently approved a new disbursement/expense policy. Due to the implementation of this new policy, OLMS will take no further action at this time regarding this matter.

2. Meal Expenses

Local 74 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$440.00. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Local 74 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, no receipt or explanation was retained for a meal purchased with Mr. Watson's union issued credit card at Pueblo Viejo on April 12, 2011 for \$84.94. Union 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. Reimbursed Auto Expenses

Business Manager Ted Watson, who received reimbursement for business use of his personal vehicles, did not retain adequate documentation to support payments to him totaling at least \$3,800.00 during 2011. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

During the exit interview, Mr. Watson advised that the business manager is now required to keep a formal mileage log. Due to this new policy, OLMS will take no further action at this time regarding this matter.

4. Lost Wages

Local 74 did not retain adequate documentation for lost wage reimbursement payments to Mr. Brose totaling at least \$2,050.00. 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 74, did not retain any documentation to verify lost time payments.

During the exit interview, Mr. Watson advised that Local 74 is now requiring all members and/or officers who receive lost time to submit a completed lost time/expense voucher. Due to this new policy, OLMS will take no further action at this time regarding this matter.

5. Lack of Salary Authorization

Local 74 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 74 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 74 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Failed to Include Promotional Account Funds on the LM Report

Local 74 must report financial information for all union funds on its annual LM report, including any special funds even if they are not part of the organizations general treasury. The audit revealed a promotional account, which is used to purchase advertisements and logo merchandise. This account was not included on Local 74's 2011 LM-3 report.

2. Disbursements to Officers

Local 74 did not include some reimbursements to officers totaling at least \$10,250 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 and 54.

The union must report most direct disbursements to Local 74 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).

Local 74 must file an amended Form LM-3 for the fiscal year ended December 31, 2011, to correct the deficient items discussed above. I encourage Local 74 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than December 31, 2012 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 74's officers and employees are currently bonded for \$20,000, but they must be bonded for at least \$22,513. Local 74 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than December 21, 2012.

Other Issue

Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 74 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Insulators LU 74 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: Jeff Brose, President