



January 2, 2013

Mr. John Reed, President
Longshoremen Local 1037
[REDACTED]

Case Number: [REDACTED]
LM Number: 026887

Dear Mr. Reed:

This office has recently completed an audit of Longshoremen Local 1037 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, Treasurer Lamont Ruppert, and Accountant Wayne Bodin on December 17, 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 1037's 2011 records revealed the following recordkeeping violation:

Disbursements to Officers and Other Vendors

Local 1037 did not keep adequate documentation for reimbursed expense payments to officers totaling more than \$800. During the audit year, you incurred expenses primarily for travel totaling more than \$2,000, including lodging, airfare, per diem, and parking. Although you documented all of your expenses on memos to the executive board, the

documentation retained in support of over \$600 in per diem payments was insufficient because you failed to identify the dates of travel. Local 1037 also failed to keep adequate supporting documentation for over \$200 in reimbursed expense payments to officers for office supplies and postage.

In addition, Local 1037 failed to retain adequate documentation to support payments totaling more than \$600 to third party vendors such as Wal-Mart, T.A Ink, and Knox Company among others. The union either failed to retain any documentation at all for disbursements to these vendors, or the documentation retained was inadequate in that it did not identify the union business purpose of the items purchased.

In the case of per diem payments to officers for travel on union business, Local 1037 must maintain records which identify the business purpose of each trip, the dates of travel, the destinations traveled to, and the per diem rate claimed for each date.

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

Based on your assurance that Local 1037 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 1037 for the fiscal year ended December 31, 2011 was deficient in the following areas:

1. Dues Receipts Underreported

The audit revealed that Local 1037 received dues payments totaling \$8,668 from members and dues check-off payments from employers; however, Local 1037 reported only \$4,919 in Item 38 (Dues Receipts). Local 1037 issues payments for the reimbursement of check-off dues to members who reach a certain threshold of working hours by the end of the fiscal year. During the exit interview, Mr. Bodin advised it was likely that he reported in Item 38 the net difference of the total check-off dues received (\$5,503.97) less the amount paid to some members for the reimbursement of their check-off dues (\$3,806.04).

As discussed during the exit interview, the purpose of Statement B (Receipts and Disbursements) is to report the flow of cash in and out of your organization during the reporting period and therefore "netting" is not permitted. Local 1037 must report every receipt that was received during the fiscal year.

2. Interest

Bank records maintained by Local 1037 revealed that Local 1037 received interest income from the bank totaling \$391 during the audit year; however, Local 1037 report only \$318 in Item 41 (Interest and Dividends). It appears that the interest from the savings account and the fourth quarter of interest from the certificate of deposit was not included in the figure reported in Item 41 nor was it reported anywhere else on the report. All interest income must be reported in Item 41.

3. Per Capita Tax Disbursements

The audit revealed that Local 1037 disbursed four checks totaling \$1,180.60 to the Great Lakes District Council and the International Longshoremen's Association for per capita tax during 2011; however, Local 1037 reported \$0 in Item 47 (Per Capita Tax). All disbursements for per capita tax paid as a condition of or requirement of your organization's affiliation with a parent body, state and local central bodies, etc., are required to be reported in Item 47.

4. Payments to Officers

Local 1037 did not include reimbursements to officers totaling more than \$4,900 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Local 1037's check register and check stubs indicate that officers received payments for expenses totaling \$4,915. However, no disbursements were reported in Column E (Allowances and Other Disbursements) of Item 24. During the exit interview, Mr. Bodin advised that the payments to officers for reimbursed expenses were reported in Items 48 (Office and Administrative) and Item 54 (Other Disbursements). In addition, salary payments to Mr. Ruppert totaling \$600 were erroneously reported in Column E. As we discussed, all payments for gross wages, including salary, are to be reported in Column D (Gross Salary).

Most direct disbursements to Local 1037 officers and some indirect disbursements made on behalf of its officers must be reported 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).

5. Total Disbursements Underreported

The audit revealed that Local 1037 disbursed funds totaling \$23,008.46; however, Local 1037 reported total disbursements of only \$19,255 in the Cash Disbursements Section of

Statement B (Receipts and Disbursements). As noted above, it appears that the dues check-off receipts were netted against the disbursements to some members for the reimbursement of their check-off dues and therefore, most, if not all, of the disbursements for dues check-off refunds were not reported. The dues refunds should have been reported in Item 54 (Other Disbursements). As mentioned above, Statement B reports all of the cash flowing in and out of your organization; therefore, all disbursements of funds must be reported.

6. 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 1037 amended its constitution and bylaws in 2008, but did not file a copy with its LM-3 report for that year. Local 1037 has now filed a copy of its constitution and bylaws.

Local 1037 must file an amended Form LM-3 for the fiscal year ended December 31, 2011 to correct the deficient items discussed above. I have included a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than January 21, 2012. LM reports can also be filed electronically using the OLMS Electronic Forms System (EFS), which can be accessed through the OLMS website (www.dol.gov/olms). EFS allows any labor organization with a web-enabled computer the ability to complete, sign, and electronically file an LM-2, LM-3, or LM-4 without purchasing a digital signature or downloading special software. EFS performs all calculations for the LM report and completes a form error check prior to submission to OLMS. If you have difficulty navigating the EFS software, or have questions about its functions and features, you can get help by calling the OLMS Help Desk at 1-866-401-1109 (toll free). Additional information, including PowerPoint presentations regarding the use of EFS, is available on the OLMS website at: <http://www.dol.gov/olms/regs/compliance/efs/efshelp.htm>.

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.

The amount of Local 1037's bond is sufficient; however, the bond includes a deductible, which is a form of self-insurance that fails to meet the bonding requirements of the LMRDA. Local 1037 must obtain a bond without a deductible. Please provide proof of bonding coverage without a deductible to this office as soon as possible, but not later **January 23, 2012**.

Other Issue

Expense Policy

The audit revealed that Local 1037 reimbursed officers for travel expenses such as per diem, lodging, airfare, and parking; however, Local 1037 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement or the circumstances under which they can be reimbursed. To ensure proper internal financial controls over union disbursements, OLMS recommends that each union: (1) adopt a clear policy on reimbursed travel expenses; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for approval of travel expense claims. Please see the attached compliance tip regarding reimbursed travel expenses for additional information.

I want to extend my personal appreciation to Longshoremen Local 1037 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

Enclosures/as stated

cc: Mr. Lamont Ruppert, Treasurer
Mr. Steven Hill, Trustee