U.S. Department of Labor

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June 22, 2007

LM File Number 042-308
Case Number: [redacted]

Mr. Steven Lex, Business Representative
Elevator Constructors Local 132
P.O. Box 243
Cottage Grove, WI 53527-0243

Dear Mr. Lex:

This office has recently completed an audit of Elevator Constructors Local 132 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 and Financial Secretary Steven Ketelboeter on June 21, 2007, 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 132's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

   Local 132 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Local 132 officers totaling at least $1,677.24. For example, you were reimbursed $633.96 for a car rental from Alamo for the Elevator Constructors Convention in Kona, Hawaii; however, no supporting documentation could be found.

   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.

2. Lack of Salary Authorization

   Local 132 did not maintain records to verify that the salaries reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2 was the authorized amount and therefore was correctly reported. Local 132 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.

3. Voided Checks and Carbon Copies of Checks

   During the audit, Financial Secretary Ketelboeter stated that he destroys all voided checks as well as the carbon copies of the checks from the checkbook. As previously noted, labor organizations must maintain all records created, used, or received in the course of union business for at least five years.

Based on your assurance that Local 132 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 Local 132 for fiscal year ending December 31, 2006 was deficient in that:

Payments to Officers and Employees

Local 132 did not include some reimbursements to officers and employees totaling at least $1,313.62 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, President Bob Wales was reimbursed $934.81 for airfare to the convention, but it was not included in the amount reported in Schedule 11, Column F (Disbursements for Official Business). As another example, you charged $378.81 in meals to your personal credit card which was directly paid by Local 132, an indirect disbursement to you that was not included in the payments in Column F. It appears that Local 132 erroneously reported these payments in Schedules 15 through 19.

In addition, Local 132 did not correctly report lost time payments to officers totaling at least $5,727.36 in Schedule 11, Column D (Gross Salary Disbursements). For example, Local 132 paid Financial Secretary Ketelboeter $2,015.51 (gross) for wages lost conducting union business during the audit year, but no payments are recorded next to his name in Column D. These payments were erroneously reported in Schedule 11, Column F.

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be report 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 (Disbursements for Official Business). 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.

I am not requiring that Local 132 file an amended LM report for 2006 to correct the deficient items, but Local 132 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

During the audit, you and Financial Secretary Ketelboeter advised that Local 132 only requires one signatory on the checking, savings, money market and certificate of deposit accounts. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, not countersigning checks circumvents and undermines the purpose of the countersignature requirement. OLMS recommend that Local 132 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Elevator Constructors Local 132 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,

[redacted]
Investigator

cc: Mr. Steven Ketelboeter, Financial Secretary
Mr. Robert Wanless, President