

U.S. Department of Labor

Office of Labor-Management Standards
Office of Field Operations
Frances Perkins Building
200 Constitution Avenue, NW, Suite N5119
Washington, DC 20210
(202) 693-1204 Fax: (202) 693-1343



November 13, 2023

Mr. Frank Christensen, General President
Elevator Constructors (IUEC) NHQ
7154 Columbia Gateway Drive
Columbia, MD 21046

Case Number: 051-6025639 [REDACTED]
LM Number: 000197

Dear Mr. Christensen:

This office has recently completed an audit of Elevator Constructors (IUEC) NHQ under the International Compliance Audit Program (I-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, General Secretary-Treasurer Larry McGann, Assistant General President James Bender, General Counsel Chuck Gilligan, and Certified Public Accountant Craig Winters on November 8, 2023, the following problems were disclosed during the I-CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope. Based on your assurance that IUEC will remedy the areas of non-compliance with the LMRDA, OLMS will take no further action regarding the audit findings at this time.

Recordkeeping Violation

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 (unless electronically maintained) 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 IUEC's July 2021-June 2022 records revealed the following recordkeeping violation:

Lack of Bonus Authorization

Employees Anita Richards, BJ Cogley and Susan Enright receive an annual holiday bonus equal to one week's pay. IUEC did not maintain records to verify that the bonus reported in Schedule 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported. The union advised that it was the long-standing practice of IUEC to pay the staff this bonus, and the original authorization was decades ago. The union must keep a record, such as meeting minutes, to show the current salary (including bonuses) authorized by the entity or individual in the union with the authority to establish salaries. In October 2023, the IUEC executive board approved these bonuses, and recorded the authorization in the meeting minutes.

Based on your assurance that IUEC will retain adequate documentation in the future to comply with the requirements outlined above, OLMS will take no further enforcement action at this time regarding this issue.

Reporting Violations

Section 201(b) of the LMRDA 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 IUEC for the fiscal year ended June 30, 2022, 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?) was correctly answered, "Yes," because the union gave away "promotional items." However, IUEC failed to identify the value of the items given away in Item 69 (Additional Information). During the audit year, IUEC provided convention delegates with Apple iPads, t-shirts, backpacks, and other items totaling at least \$227,000. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. Investments

IUEC did not properly complete Schedules 3 (Sale of Investments and Fixed Assets) and 4 (Purchase of Investments and Fixed Assets). Review of the investment brokerage statement shows that in June 2022, IUEC's U.S. Treasury securities matured in the amount of \$4,350,000. IUEC promptly reinvested \$4,322,579 in U.S. Treasury securities. However, nothing was reported in "less reinvestments" on Schedules 3 and 4. Therefore, Item 43 (Sale of Investments and Fixed Assets) and Line 60 (Purchase of Investments and Fixed Assets) of Statement B (Receipts and Disbursements) were overreported, inflating both receipts and disbursements.

The Form LM-2 instructions for Schedule 3 state the total amount from the sale or redemption of U.S. Treasury securities, marketable securities, or other investments that are promptly reinvested (i.e., "rolled over") in U.S. Treasury securities, marketable securities, or other investments during the reporting period should be reported on the "Less Reinvestments" line. In addition, the instructions for Schedule 4 state the amount from the sale or redemption that are promptly reinvested should be reported on the "Less Reinvestments" line. Generally, "prompt" means reinvesting (or "rolling over") the funds in a week or less without using the funds for any other purpose during the period between the sale of the investment and the reinvestment. The total on the Less Reinvestments line on Schedule 3 must agree with the amount reported on the Less Reinvestments line on Schedule 4.

3. Benefit Payments

IUEC did not correctly report some benefit payments totaling at least \$307,000 in Schedule 20 (Benefits). During the audit year, IUEC made at least two payments to beneficiaries for death benefits. These payments appear to be erroneously reported in Item 64 (On Behalf of Individual Members). The union must report in Schedule 20 direct and indirect disbursements to all entities and individuals during the reporting period associated with direct and indirect benefits for officers, employees, members, and their beneficiaries.

I am not requiring that IUEC file an amended LM report for 2022 to correct the deficient items, but IUEC has agreed to properly report the deficient items on future reports.

I want to extend my personal appreciation to IUEC 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]

Lead Investigator

International Compliance Audit Program

cc: Mr. Larry McGann, Secretary Treasurer (via email)
[REDACTED], General Counsel (via email)
[REDACTED] Certified Public Account (via email)