



July 28, 2022

Scott Hammond, Secretary-Treasurer/Business Manager
Boilermakers LLG 105
4561 US Route 23
Piketon, OH 45661-0858

Case Number: 350-6023627()
LM Number: 035629

Dear Mr. Hammond:

This office has recently completed an audit of Boilermakers LLG 105 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 Administrative Assistant Holly Hackworth on July 28, 2022, 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 105's 2021 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 105 did not maintain an inventory of shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of

property on hand to verify, clarify, and explain the information that must be reported in Item 28. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

2. Missing Deposit Slips

Local 105 failed to maintain deposit slips for direct pay dues in at least two instances for \$460.00 and \$506.72. Deposit slips are maintained for all other dues deposits I sampled during the audit year.

3. Duplicate Receipts Records

Local 105 failed to be able to provide duplicate receipts for dues payments in at least six instances totaling \$8,762.50. The union changed credit card processing companies and is no longer capable of researching who made which dues payments by credit card before June 2021. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable.

4. Union Owned Vehicles

Local 105 did not maintain records necessary to verify the accuracy of the information reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2 such as a mileage log. The local incurred expenses for automobiles during the 2021 fiscal year. However, the local did not maintain records to documenting business versus personal use of the union vehicles. The union must maintain records which identify the dates of travel, locations traveled to and from, purpose of travel, and number of miles driven.

5. Meal Expenses

Local 105's 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, there are two meal purchases at Lloyds's Pizzeria totaling \$393.50 with no names of those in attendance and/or the purpose for the meal. 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.

6. Receipts/Invoices not Maintained

Local 105 did not retain a receipt, invoice, and/or voucher in at least eleven instances totaling \$617.14 for credit card, check, and automatic disbursements. The union must

maintain receipts, invoices, and/or vouchers for all transactions to explain the item(s) purchased and the purpose for the items purchased.

7. Lack of Salary Authorizations

Local 105 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 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 105 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 105 for the fiscal year ended June 30, 2021, 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?) should have been answered, "Yes," because the union gave away shirts during the year. 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers and Employees

Local 105 did not include some reimbursements to officers and employees / payments to officers and employees totaling at least \$3,228.29 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees).

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 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. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. Automobile Expenses

Local 105 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) disbursements for the operation and maintenance of union automobiles on all occasions.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

I am not requiring that Local 105 file an amended LM report for 2021 to correct the deficient items, but Local 105 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 105 does not have a clear policy regarding the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Signature Stamps

During the audit, the union advised that it is Local 105's practice for Secretary-Treasurer Hammond to sign union checks and to stamp the signature of President Sturgill on union checks OR President Sturgill to sign union checks and to stamp Secretary-Treasurer Hammond on union checks when either is out of town. Article 7 of Local 105's bylaws requires that 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check and negates the purpose of the two signature requirement. OLMS recommends that Local 105 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Boilermakers LLG 105 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: Kenny Sturgill, President
Holly Hackworth, Administrative Assistant