



February 16, 2024

Mr. Rick Ahle, Secretary-Treasurer
Laborers Local 423
2625 Winchester Pike
Columbus, OH 43232

Case Number: 350-6025794()
LM Number: 019973

Dear Mr. Ahle:

This office has recently completed an audit of Laborers Local 423 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, Business Manager Robert McCaskill, President Greg Hayes, Recording Secretary Paris Walker, and Secretary Patricia Elliott on January 29, 2024, 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 423's 2022 records revealed the following recordkeeping violations:

1. Meal Expenses and Credit Card Expenses

Local 423 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by McCaskill and former Secretary-Treasurer David Cross totaling at

least \$1,290.37. For example, the initial deposit and lease payment for the lease of the local's Cadillac XT6 was charged to McCaskill's union credit card, but no itemized receipt was located in union records. Further, meal charges totaling \$33.82 reimbursed to Cross did not disclose the participants.

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.

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 423 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. 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.

2. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

Local 423 incurred expenses totaling at least \$113,886.94 for automobiles during 2022, to include lease payments, fuel charges, and maintenance. However, Local 423 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

3. Disposition of Property

Local 423 did not maintain an inventory of knives and Kroger gift cards it purchased and gave away to members. 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.

4. Failure to Timely Record Disbursements

Local 423 did not timely record disbursements of \$321,797.94 from the 2022 Christmas Savings Account in December 2022. The disbursements were not recorded until February 7, 2023. Disbursements must be recorded in the year in which the disbursements were made so the local's book balance and disbursements for the year accurately reflect the financial activity of the fiscal year.

5. Receipt Dates and Source not Recorded

Although Local 423 records working dues and membership dues in Application Software, Inc. (ASI), noting the date of receipt and source, the local does not record the receipt date and source of other receipts in either QuickBooks or ASI. For example, only the deposit dates were recorded in QuickBooks for the receipt of refunds from Johnson Safe and Ohio Bureau of Workmen's Compensation. Entries in Local 423's QuickBooks reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

6. Lack of Salary Authorization

Local 423 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 423 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 423 for the fiscal year ended December 31, 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?) should have been answered, "Yes," because the union gave away buck knives and Kroger gift cards totaling more than \$105,575.00 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 423 did not include some reimbursements to officers totaling at least \$3,183.41 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

In April 2022, the local approved the spouses of McCaskill and former Secretary-Treasurer David Cross to accompany them to the Leadership Conference in San Diego, California and incur airfare and meal expenses, but Schedule 11 did not include each of the spouses' flights of \$811.96 in Column G (Other Disbursements). In addition, meals paid via union-issued credit cards and meals charged to the hotel bills and subsequently paid via union-issued credit cards totaling \$1,519.49 were not reported in Columns F or G.

If the spouse's travel was necessary for conducting official union business, such disbursement must be reported in Column F. If the spouse's travel was not necessary for conducting union business and was essentially for personal benefit, such disbursement must be reported in Column G.

Schedule 12 incorrectly reported each officers' compensation received for attending district council and executive board meetings in Column F. Compensation for attending the meetings should have been reported in Column D (Gross Salary Disbursements).

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 423 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 totaling at least \$31,148.06, including gas card charges of \$27,949.00, Dick Masheter Ford maintenance expenses of \$2,064.09, and maintenance charges to McCaskill's AMEX card of \$1,134.97. Gas card charges were incorrectly reported in Schedule 18 (General Overhead). While lease payments for the union vehicles were reported in Schedule 11, the lease payments were improperly allocated among the officers assigned a Ford F-150. Although each truck has a unique lease payment amount, the total lease payments for all of the trucks was allocated pro rata among the assigned officers. For instance, the total lease payments for the truck assigned to you were \$15,430.20 but only \$12,059.00 was included in the amount reported in Schedule 11, Column G (Disbursements for Official Business).

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 423 file an amended LM report for 2022 to correct the deficient items, but Local 423 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

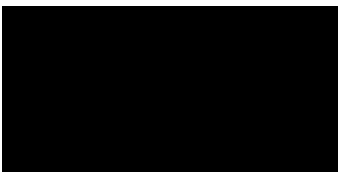
As I discussed during the exit interview with you, the audit revealed that Local 423 does not have a written policy regarding the union leased vehicles and has relied on past practice with regard to personal use of the vehicles. OLMS recommend the local adopt a clear policy regarding use of the vehicles.

2. Signing Blank Checks

During the audit, you advised that you and Hayes sign blank checks if one of you will be out of town for an extended period of time. The LIUNA Uniform Local Constitution requires that all 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two-signature requirement. OLMS recommends that Local 423 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Laborers Local 423 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Robert McCaskill, Business Manager
Mr. Gregory Hayes, President