



June 29, 2011

Mr. James Gallagher, President  
Insulators Local 3  
1617 East 30th Street  
Cleveland, OH 44114

Case Number: [REDACTED]  
LM Number: 037-904

Dear Mr. Gallagher:

This office has recently completed an audit of Insulators Local 3 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 Business Manager Scott Sullivan, Financial Secretary Daniel Dehaney, and Office Secretary Linda Laskowski on May 16, 2011, 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.

#### Bonding 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.

Local 3's officers and employees were not bonded for the minimum amount required at the time of the audit. Initially, the union was bonded for only \$100,000.00. The union increased the bonding coverage to \$140,000.00 and provided evidence of this to OLMS during the audit; however, the bonding coverage requirement needs to be at least \$141,000.00 based on OLMS calculations. Please provide proof of bonding coverage for \$141,000.00 to this office as soon as possible, but no later than July 15, 2011.

#### Other Issues

##### Signing Blank Checks

During the Organizational Interview, the local advised that Financial Secretary Daniel Dehaney had previously signed blank checks because of his limited work schedule. Your union requires that two officers sign all checks. 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

Mr. James Gallagher

July 6, 2011

Page 2 of 2

completed check, and negates the purpose of the two-signature requirement. OLMS recommends that Local 3 review these procedures to enhance the already sound internal controls of union funds.

I want to extend my personal appreciation to Insulators Local 3 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 solid black rectangular box redacting the signature of the investigator.

Investigator

cc: Mr. Daniel Dehaney, Financial Secretary