



November 7, 2014

Mr. David Fleetwood, Business Manager  
Laborers Local 500  
2270 Ashland Avenue  
Toledo, OH 43620-1206

Case Number: 350-6000734  
LM Number: 005-951

Dear Mr. Fleetwood:

This office has recently completed an audit of Laborers Local 500 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 Secretary-Treasurer Kareem Grant on September 4, 2014, 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 500's 2013 records revealed the following recordkeeping violations:

1. Failure to Maintain Disbursements Documentation

Local 500 did not retain adequate documentation for union disbursements totaling at least \$1,000.00. For example, no invoice documentation was available for a \$1,000.00 disbursement to Young Women of Excellence as a donation for the purchase of uniforms.

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. Information not Recorded in Meeting Minutes

During the review of Local 500's meeting minutes, purchases of at least \$3,450.00 for local fundraising efforts did not list the individuals who received tickets to the events. For example, four tickets purchased for a golf outing fundraiser at Eagle's Landing golf course for \$240.00; six dinner tickets totaling \$210.00 for P.L.A.S. Boxing League fundraiser; and the purchase of four tables (40 total tickets) for a total of \$3,000.00 to the NAACP dinner. In addition, recent union office renovation expenses are not listed in the executive board meeting minutes or membership minutes. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

3. Meal Expenses

Local 500's records of meal expenses did not always include the names and titles of the persons incurring the restaurant charges. For example, receipts from Frisch's Big Boy and Michael's Bar and Grill totaling at least \$100.00, the only detail provided on the receipt was "judges of election." 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. 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.

4. Failure to Properly Record Receipts and Disbursements

Review Local 500's receipts records revealed that deposit receipts of \$250.00 were recorded twice in the union's books for the main checking account and the building fund checking account. Additionally, review of the disbursements records revealed that bank service charges of \$173.25 for the entire audit period were not recorded in the union books for the PAC Fund checking account.

Based on your assurance that Local 500 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 500 for fiscal year ending December 31, 2013, was deficient in the following area:

1. Disbursements to Officers and Employees

Local 500 did not include any payments to Business Manager David Fleetwood or any of the business agents in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported all of the payments in Schedules 15 through 19.

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.

2. Automobile Expenses

Local 500 did not include any 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 for Business Manager David Fleetwood or any of the business agents that use the union automobiles.

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.

3. Disposal of Union 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 t-shirts, hats, and watches totaling more than \$750.00 during the year. In addition, the local raffles gas gift cards at the monthly union meetings as an incentive to have members attend the meetings. 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.

Other Issues

1. Credit Card Expense Policies

Union officers and employees who are on union business travel status, and who do not have union issued credit cards are required to follow a per diem procedures which must be reconciled at the conclusion of the travel. However, it appears that the officers with a union issued credit card do not follow any per diem procedures. OLMS recommends that unions adopt written guidelines detailing the approved spending amount allowances and what union business items are permitted to be charged to the union credit cards.

2. Use of Signature Stamp

During the audit, Secretary-Treasurer Kareem Grant advised that it is Local 500's practice for Office Manager [REDACTED] and staff member [REDACTED] to sign all union checks by stamping the signature of President Malinda Johnson and Secretary-Treasurer Kareem Grant on union checks. Additionally, Local 500's PAC Fund and PCE Fund checking accounts only require one signature on issued checks. Article IV, Section 4, D (5) of Local 500's constitution requires that checks be signed by both the president and secretary-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 both officers does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. At the least one of the signature stamps should be maintained by Office Manager [REDACTED] and the other signature

stamp be maintained by [REDACTED]. OLMS recommends that Local 500 review these procedures to improve internal control of union funds.

I am not requiring that Local 500 file an amended LM report for 2013 to correct the deficient items, but Local 500 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Laborers Local 500 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: Ms. Malinda Johnson, President  
Mr. Kareem Grant, Secretary-Treasurer