



September 29, 2005

Mr. Joseph Hunt  
General President  
International Association of Bridge, Structural,  
Ornamental and Reinforcing Iron Workers, AFL-CIO  
1750 New York Ave., N.W.  
Washington, DC 20006

Dear Mr. Hunt:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has recently completed a compliance audit at your headquarters under the International Compliance Audit Program (I-CAP). The purpose of this audit was to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) by the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers (Iron Workers or IU), and affiliated unions. The I-CAP team conducted an exit interview on September 28, 2005 with you and the Iron Workers General Treasurer, Walter Wise, to review its findings and actions required to correct deficiencies.

You were informed at the exit interview that an amended Labor Organization Annual Report, Form LM-2, for the year ending June 30, 2004, is required to be submitted within thirty days from the date of this letter to correct reporting and other deficiencies. Specific information on these deficiencies is presented below. We will schedule an on-site follow-up in approximately six months to review corrective actions taken, to discuss the amended Form LM-2 filed by the IU, and to continue cooperative efforts to prevent and/or correct LMRDA deficiencies. This letter does not purport to be an exhaustive list of all possible problem areas since the compliance audit was limited in scope.

#### AUDIT DETAILS:

##### Reporting Deficiencies - LMRDA Section 201

Section 201 (b) of the LMRDA requires that unions file with OLMS an annual financial report that accurately discloses the unions' financial condition and operations. The following deficiencies were noted on the Iron Workers Form LM-2 for the fiscal year ended June 30, 2004.

1. Canadian transactions were not converted to U.S. dollars before the totals were entered on Statement A, Assets and Liabilities, and Statement B, Receipts and Disbursements, of the Form LM-2. All amounts reported are required to be in U.S. dollars. The IU has agreed to make the necessary corrections on the amended return to correct the deficiencies.

President Joseph Hunt

2. Schedule 13 of the Form LM-2 included separate line items for disbursements that were described as Office Supplies and Expense, and Office Equipment and Rental. The category of Office Supplies and Expense is not sufficiently descriptive. The category of Office Equipment and Rental is also not sufficiently descriptive to determine whether the equipment should be listed as a Fixed Asset on Statement A. The Form LM-2 instructions require all descriptions be sufficient to identify the specific purpose of the receipt or disbursement. The IU will incorporate sufficient descriptions or additional information to clarify these items in future Form LM-2 filings.
3. Schedule 15 identified a disbursement entitled Capital Contribution to UUI, and Schedule 2 identified a disbursement entitled Equity in UUI. Although these categories may be consistent with the IU's accounting practices, the data the I-CAP team reviewed suggested that these should be considered a cost pursuant to a lease agreement. Neither of the categories is sufficient to adequately describe these disbursements. As mentioned in Item 2, the Form LM-2 instructions require all descriptions be sufficient to identify the specific purpose of the receipt or disbursement. Additional information can be provided in Item 75 to clarify these disbursements.
4. The Iron Workers maintain a perpetual inventory system, and the inventory is held for resale. The inventory contained in the system was not reflected in Statement A, Assets and Liabilities, nor in Schedule 3, Other Assets, of the Form LM-2. The Form LM-2 instructions require that all assets be reported. The IU has agreed to make the necessary corrections on the amended return to correct the deficiencies.
5. Schedule 14 of the Form LM-2 reflects receipts from the "Sale of History Books" and "Sales of Merchandise." The sale of the history books and merchandise should have been reported in Statement B, Item 45, Sale of Supplies. Disbursements for the purchase of supplies for resale, if any, should be reported on Item 65, Supplies for Resale, on Statement B. Lastly, inventory of supplies for resale at the start and end of the reporting period, if any, should be reported in Statement A, Assets and Liabilities, and Schedule 3, Other Assets. The Iron Workers will properly classify the purchase and sale of all supplies in future Form LM-2 filings.
6. The General Treasurer Fund includes checks that were issued prior to February 2003. During the course of this audit, the IU researched these checks and determined that they should be voided. In addition, the IU has agreed to comply with our recommendation and will institute a policy of periodically reviewing outstanding checks.
7. The IU failed to provide to OLMS a recent amendment to its constitution, as is required by Section 201 of the LMRDA. The IU has implemented the amendment, as permitted by the constitution, although it has not been ratified. All implemented amendments must be provided to OLMS. The I-CAP team informed the IU of its responsibility to timely submit amendments to OLMS in the future. The IU submitted the amendment to OLMS before the exit interview.

### Inadequate Recordkeeping – LMRDA Section 206

LMRDA Section 206 requires that every person filing reports maintain records on the matters to be reported. These records must provide sufficient detail to permit them to be verified, explained or clarified and checked for accuracy and completeness. All required records must be maintained for at least five years following the date the financial report is filed. There were instances noted during this audit where the required documentation was not maintained by the IU. During the exit interview, Iron Worker officials were informed that back-up documentation must be maintained and retained for all disbursements, regardless of amount, for the required five year period. In addition, written documentation is necessary to determine whether the expense was for personal or official union business.

8. The I-CAP team identified instances in which the union, contrary to LMRDA requirements, did not maintain receipts under \$25.00, and the IU expense policy does not currently require receipts for such expenses. As a result, one hundred percent of our sample did not have an itemized receipt for transactions under \$25.00. All receipts, regardless of amount, must be maintained for the required five year period. The IU's audit committee proposes to recommend that the Executive Board adopt an "all receipts, all the time" rule. The I-CAP team will review the status of the expense policy at the six month follow-up.
9. The IU did not maintain logs of the business mileage driven by the officers for the audit period. During the course of the I-CAP audit, the IU made a good faith effort to recreate the logs for the business mileage from documentation such as expense and activity reports maintained for the audit period. While all the documentation was not available for the audit period, the union did attempt to substantiate the business use. The Iron Workers were informed at the exit interview that the officers should maintain logs for each vehicle that detail the date, number of miles driven, and business purpose of each use. The IU has agreed to maintain logs to substantiate the business mileage and also has provided documentation to the I-CAP team to verify that a log is currently being maintained.

### Internal Controls

Adequate internal financial controls are essential in order for the union to fulfill its obligations under Title II and Title V of the LMRDA. During the Iron Worker audit, the I-CAP team identified weaknesses in segregation of duties, in documenting approvals of transactions, and failure to properly record some accounts.

10. The I-CAP team did not find written documentation showing that the Controller reviews wire transfers and bank reconciliations initiated by the accountant. This same accountant also reconciles the bank statement and again there was no written evidence of a review by the Controller. Furthermore, there was no written evidence of consistent supervision of

President Joseph Hunt

the Controller. Although the I-CAP team was informed that oversight existed, there was no written evidence to support those reviews.

11. The I-CAP team recommends the General Treasurer directly receive the bank statements each month. After his review, the bank statements can be provided to the Controller for reconciliation by the accountant. The I-CAP team recommends that the Controller document review of the accountant's work by initialing the bank reconciliations and journal entries. In addition, the I-CAP team recommends that the General Treasurer document direct supervision of the Controller by initialing reports, financial statements, budgets and other accounting information that is reviewed or discussed. We further recommend that the General Treasurer approve large transactions before they are initiated by the Controller or accountant.
12. There were some disbursement transactions with only one officer's signature. While the IU policy allows only one signature in certain instances, two original officer signatures will better safeguard union funds. The I-CAP team identified three checks out of six checks sampled for educational and publicity disbursements with one signature that were for \$20,000, \$40,000 and \$60,000, respectively.
13. In addition, the educational and publicity disbursement transactions sampled had instances of misclassification and lack of proper approval. Of the six transactions sampled, two contained discrepancies. One was a disbursement misclassified as educational and publicity, and the other did not have authorized approval as set by the IU. The I-CAP team recommends a more thorough review of transactions to ensure that they are properly classified and have been properly approved for union business.
14. In our review of the petty cash fund, we noted instances of replenishment checks being made out to "Cash," and only one petty cash receipt was signed by a recipient. The I-CAP team recommends improving procedures to control the petty cash fund, such as reviewing receipts and approvals for replenishment requests, making checks to replenish petty cash payable to the custodian not "Cash," and having recipients of petty cash funds sign numbered receipts.
15. Duties for handling receipts received at the union were not segregated. One staff member has access to receipts and also has the authority to perform banking transactions and bank reconciliations on behalf of the union. The I-CAP team recommends that duties be appropriately segregated, with one staff member assigned to receive and list the receipt of checks; a second employee to record receipts in the general ledger; and a third staff member to deposit the checks at the bank. Additionally, the receipts should be reconciled to the deposits.
16. The IU separately maintained an automated general ledger, a manual general ledger for the Scholarship Fund, and a stand alone automated system for the International Political Education Fund. The I-CAP team had difficulty reconciling account balances to the Form LM-2 since the IU did not initially provide information on the separately

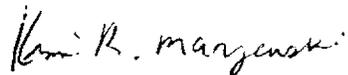
President Joseph Hunt

maintained funds. Inclusion of all funds in one reporting system could reduce the risk of errors in reporting financial information on the Form LM-2. However, at a minimum, the IU should identify, in item 75, all records or funds used to prepare the Form LM2.

As discussed in the exit interview, the IU will submit a response to this closing letter along with the requested amended report for fiscal year 2004. The response letter will identify the corrective actions implemented by the union based on the results of the compliance audit. The Form LM-2 filed for the fiscal year ending June 30, 2005 will incorporate the areas addressed by this letter. We will schedule an on-site follow-up in approximately six months to review LMRDA compliance and the amended Forms LM-2, discuss the corrective actions that have been taken, and to continue cooperative efforts.

We want to express our appreciation for the cooperation and courtesy extended by you and your staff during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call us.

Sincerely,

A handwritten signature in cursive script that reads "Kim R. Marzewski".

Kim R. Marzewski, Chief  
Division of International Union Audits