

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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January 12, 2007

Mr. George Heiss, Business Agent
Roofers Local 142
3802 6th Avenue
Des Moines, IA 50313

Re: Case Number: [REDACTED]

Dear Mr. Heiss:

This office has recently completed an audit of Roofers Local 142 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 on November 30, 2006, 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.

As discussed during the exit interview, Local 142 does not have a clear policy regarding what types of expenses you may claim for repair costs to your personal vehicle. The audit did not reveal any source document showing that the local is to pay for the repairs of personally owned vehicles. Authorization of expenses is an important matter that should be recorded in union records.

You stated in the opening interview that the local is responsible for the repairs to your personal vehicle when it is used for union business. After a review of the supporting documentation for your repairs, you stated that sometimes you reimburse the local for 10% of the cost of the repairs. Your explanation was that you use your vehicle approximately 10% of the time for personal business; therefore, you should pay 10% for the repairs. For some of the repairs, you reimbursed the local 10%, while others showed no reimbursement. OLMS could find no documentation that stated the local should pay for repairs on your personal vehicle, nor that you should pay 10% of the bill.

In August 2004, you had a transmission replaced at All Drive Transmission at a cost of \$1,854.53. On the receipt you indicated that you would pay one-third of the total, which

equaled \$618.18. On the receipt it was stated that \$185.45 was paid on your September 3, 2004 paycheck; the payment never took place. After reviewing paychecks to you through the 2005 fiscal year, the total amount of \$618.18 was never repaid to Local 142.

During the course of the audit, OLMS could not find documentation or authorization for the following issues:

- You pay \$33 bi-weekly to Local 142 in dues. The membership pays \$33 dues on a weekly basis. OLMS could not find any source documents authorizing you to pay only half the amount of dues paid by the regular membership. Your payment method resulted in an underpayment of dues to Local 142 in the amount of approximately \$858 for the 2005 fiscal year. You indicated during the audit that you have always paid your dues bi-weekly since you took over the office of business agent. From 2000 through current, only paying bi-weekly dues would increase this number significantly.
- For the fiscal year 2004, your compensation was based on the journeymen's wage according to the collective bargaining agreement. The journeymen's wage from January 1, 2004 through May 31, 2004 was \$18.50 per hour. Effective June 1, 2004, a raise of \$.95 cents occurred. At the June 2004 membership meeting, the membership approved a breakdown of \$.49 toward salary and \$.46 to health and welfare, which would increase your salary to \$18.99. Your salary did not increase \$.49; however, it increased the full raise amount of \$.95. This made your total salary based on 40 hours at the rate of pay of \$19.45 per hour instead of the approved \$18.99. Your salary payments based on the \$19.45 were in place until your first paycheck of 2005. Your explanation for these occurrences was that the previous Administrative Assistant, [REDACTED], called in payroll and must have made a mistake. From July 2004 through the October 2004, your salary payments resulted in an overpayment to you of approximately \$294.40.
- In the October 26, 2004 membership meeting minutes your salary was fixed at \$700 per week (\$1,400 bi-weekly). You received paychecks at \$19.45 per hour instead of the \$1,400 bi-weekly salary approved by the membership from the membership meeting date until your first paycheck of 2005. Your explanation for these occurrences was that the previous Administrative Assistant, [REDACTED], called in payroll and must have made a mistake. The additional salary payments of \$19.45 instead of \$1,400, coupled with the fact that your salary per hour should have been \$18.99 instead of \$19.45, resulted in an overpayment to you of approximately \$1,253.20.

- During the 2005 fiscal year, your paycheck was set at \$1,400 bi-weekly. Payments to you were over this amount seven times: \$1,465.26 five times, \$1,464.12 once, and \$1,440 once. You had no explanation for these occurrences. These occurrences resulted in an overpayment to you of approximately \$431.42.
- During the course of the audit, you stated that you received compensation from the apprenticeship fund for maintaining their books. You stated you received general foreman's wages of \$20.50 per hour for approximately 45 minutes a day. You also stated that the \$.95 raise in June of 2004 should have been allocated as \$.49 toward salary and \$.46 to health and welfare. The records indicated that you received compensation ranging from \$21.45 to \$23.00 over the course of the 2005 fiscal year for hours ranging from 12 to 30 hours per month. According to the June 2004 and June 2005 membership meeting minutes, the general foreman's wage from June 1, 2004 through May 31, 2005 should have been \$19.99, and from June 1, 2005 through May 31, 2006 it was \$20.59. You had no explanation for the variances in salary from the apprenticeship fund. These instances resulted in an overpayment to you of approximately \$283.10.
- The audit also revealed inadequate financial controls regarding the use of petty cash funds. You indicated that Local 142 maintains a petty cash fund which is used to purchase small office supplies and make change for members who pay their dues at the union hall. You also indicated in the opening interview that all receipts received by the local were placed in the local's general checking account. The audit revealed that you had been using membership dues to replenish the petty cash fund, and not depositing all membership dues into the bank. The audit also revealed that you do not have a set amount of money in the fund, nor do you keep all receipts for petty cash purchases. Article VI, Section 14 of the International Constitution and Bylaws states:

"the local union shall deposit all money received in the name of the local union in a bank...and all bills shall be paid by check, except such amounts which may be paid from a petty cash fund, such petty cash fund to be replenished as needed by check from the general fund."

International Representative Eric Anderson informed OLMS that the International requires local unions to maintain no more than \$50 in the petty cash fund and to maintain receipts for all purchases from the fund.

I strongly urge Local 142 to adopt clear guidelines regarding what types of expenses personnel may charge to union credit cards, what types of expenses the union will pay for regarding personally owned vehicles used for union business, and what types of out-of-pocket expenses personnel may be reimbursed for. Our office is readily available to provide guidance to you regarding the requirements of the law as they would pertain to any policies your union might adopt. If written guidelines are adopted in the near future, I would appreciate it if you would provide a copy to this office.

The CAP also 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-3) filed by Local 142 for fiscal year ending December 31, 2005, was deficient in the following areas:

- Local 142 failed to include some reimbursements to you in Item 24 (All Officers and Disbursements to Officers). All direct disbursements to Local 142 officers and some indirect disbursements made on behalf of its officers must be reported in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

Item 24, Disbursements to Officers, was reported as \$45,749. The audit calculated your compensation from Local 142 as \$47,877, which is a difference of \$2,128.

- Item 28, Investments, was reported as \$513. The audit revealed that Local 142 did not maintain any investment accounts. OLMS contacted [REDACTED] with Accounting Associates who stated that this entry was an error and it was actually the amount of miscellaneous receipts. The \$513 should have been recorded in Items 41, 42, and 43 respectively.
- Item 37, Net Assets, was reported as \$0. This number is calculated by taking the total assets and subtracting the total liabilities. Since Local 142 did not report any liabilities, 37(C) and (D) should be the same number as 31(A) and (B).

- Item 44, Total Receipts, was reported as \$121,539. The audit revealed a total receipts figure of \$118,760, which is a difference of \$2,779.
- Item 55, Total Disbursements, was reported as \$128,095. The audit revealed a total disbursements figure of \$122,648, which is a difference of \$5,447.
- The 2005 LM-3 report does not reconcile. Beginning cash (Item 25(A)), plus total receipts (Item 44), less total disbursements (Item 55), does not equal ending cash (Item 25(B)). The ending year balance, according to the total receipt and disbursement figures on the report, equals -\$2,118.

I am not requiring that Local 142 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 142 will properly report the deficient items on the report for the fiscal year ending December 31, 2006, which will be due soon.

The CAP disclosed a violation of Title II of the LMRDA which establishes record keeping requirements for officers of labor unions. Section 206 requires officers to maintain records that verify, clarify, and explain all receipts and disbursements activity. These records are required to be maintained for a period of five years. As a general rule, this includes all records created or received during the normal course of union business.

Local 142 failed to maintain records for various supporting documentation for disbursements such as records for reimbursements to officers, bills, and receipts. Union officers and employees failed to maintain adequate documentation for reimbursed expenses and for expenses charged to union credit cards. The date, amount, and business purpose of every expense must be recorded on at least one union record.

The audit revealed a violation of LMRDA Section 201(a) which requires a union to submit a copy of its revised constitution and bylaws with its annual LM report whenever changes are made. Local 142 amended its constitution and bylaws in October 2005, but a copy was not filed with its LM report for that year. A copy of Local 142's constitution and bylaws has now been filed, therefore this matter will be considered resolved during the CAP.

The results of the audit show that some serious efforts need to be made by Local 142 officers to maintain better records. Local 142 should retain all records to verify, clarify, or explain every transaction the local makes. As stated earlier, these include all records created or received during the normal course of union business. Local 142 should also

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make serious efforts to clarify the authorization structure for disbursements to officers. All compensation should be either defined in the local constitution and bylaws or clearly documented in membership minutes. Local 142 should also have trustees thoroughly review the union's books to ensure good financial control of the local's assets. After reviewing this letter, if you have any documentation that would explain any of the problems listed in this letter, feel free to contact me at (314) 539-2619.

I want to extend my personal appreciation to Roofers Local 142 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: Eric Anderson, International Representative