



August 12, 2013

Mr. John W. Keck, Business Manager
Ironworkers Local 393
1901 Selmarten Road
Aurora, IL 60505-1333

Case Number: 310-23564 [REDACTED]
LM Number: 012940

Dear Mr. Keck:

This office has recently completed an audit of Ironworkers Local 393 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 Steven Baustian, Local 393's accountant, and you on August 1, 2013, 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 393's 2012 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 393 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$234.79. For example, a transaction on September 28, 2011 at Harner's Bakery for \$48.84 and a transaction on March 5, 2012 at MPIX/Miller for \$185.95 did not have any supporting documentation.

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. Failure to Record Receipts From Glove Sales

Local 393 did not issue duplicate receipts and did not record in its receipts records each payment received from members for the purchase of gloves totaling at least \$1,755.00. For example, a receipt of \$1,080.00 for gloves recorded in the union's books on September 26, 2011 did not have adequate supporting documentation showing each member's payment. Union receipts records should include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

3. Petty Cash Journal

Local 393 did not maintain a petty cash receipts and disbursements journal. Unions should retain financial records that clarify or verify any report filed with the Office of Labor Management Standards (OLMS). Local 393 should maintain a petty cash journal (or similar record) to record all monies received and spent by the union in the petty cash fund.

Based on your assurance that Local 393 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 393 for the fiscal year ended June 30, 2012, was deficient in the following areas:

1. Created or Participated in a Fund that Benefits Members

Item 10 (During the reporting period did the labor organization participate in the administration of a trust or a fund which provides benefits for members or beneficiaries?) was incorrectly answered, "No." The audit revealed that Local 393 created and participated in the administration of Local 393's Apprenticeship & Training Fund. Therefore, Item 10 should have been correctly answered "Yes" in Local 393's LM report.

2. Subsidiary Organization

Item 11(b) (Did the labor organization have a subsidiary organization?) was incorrectly answered, "Yes". The audit revealed that Local 393 did not have a subsidiary organization. Therefore, Item 11(b) should have been correctly answered "No" in Local 393's LM report.

3. Fidelity Bond

Item 14 (What is the maximum amount recoverable under the labor organization's fidelity bond?) was incorrectly answered as \$500,000. The audit revealed that Local 393 has bonding coverage with the Fidelity & Deposit Company of Maryland in the amount of \$365,000. Item 14 should have been answered as \$365,000.

4. 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 lapel pins, gift cards, and food totaling more than \$10,000.00 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.

5. Failure to File Bylaws

Item 18 (Changes in the Constitution and Bylaws) should have been answered, "Yes", because Local 393 amended its constitution and bylaws on April 4, 2012. Local 393 also did not file a copy with its LM report for that year. LMRDA Section 201(a) requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution and bylaws.

Local 393 has now filed a copy of its constitution and bylaws with our office.

6. Disbursements to Officers

Local 393 did not report in Schedule 11 (All Officers and Disbursements to Officers) all persons who held office during the year. The union must report in Schedule 11 all payments to officers and all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report in Column F of Schedule 11 (Disbursements for Official Business) direct disbursements to officers for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedule 11 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 Schedule 11 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

7. Apprenticeship & Training Receipts

Local 393 erroneously reported receipts for the Apprenticeship & Training Fund in Item 36 (Dues and Agency Fees) of Form LM-2. Apprenticeship & Training receipts, which are specifically designated for the Apprenticeship Program, should have been properly reported in Item 48 (Other Receipts). Local 393 should report in Item 48 all receipts to the union that cannot be allocated to any other disbursement category in Statement B.

8. IMPACT Receipts and Disbursements

Local 393 erroneously reported receipts and disbursements for the Ironworkers IMPACT Fund in Item 36 (Dues and Agency Fees) and Item 58 (Fees, Fines, Assessments), respectively. The local should have properly reported the receipts and disbursements in Item 46 (On Behalf of Affiliates for Transmittal to Them) and Item 63 (To Affiliates of Funds Collected on Their Behalf), respectively. Local 393 should report in Item 46 all receipts collected on behalf of affiliates for transmittal to them. When the receipts reported in Item 46 are transmitted, the disbursement must be reported in related Item 63.

9. Cash Bond and Benefit Fund

Local 393 erroneously reported receipts in Item 47 which were deposited into the union's Cash Bond and Benefit Fund account (From Members for Disbursement on Their Behalf). The local should have properly allocated these receipts to Item 38 (Fees, Fines, Assessments) for the local's assessments, Item 47 (From Members for Disbursement on Their Behalf) for the Industry and Fringe Benefit Funds, and Item 48 (Other Receipts) for the apprenticeship fees. Although contractors may remit one check to the local that covers

multiple union accounts, the local needs to allocate these amounts among the Items in Form LM-2.

10. Per Capita Tax

Local 393 erroneously reported in Item 58 (Fees, Fines, Assessments) the per capita tax paid to the International Union as a requirement of affiliation with the parent body. The local should have properly reported the payments in Item 56 (Per capita tax). Local 393 should report in Item 56 the total amount of per capita tax paid as a condition of affiliation with the international, state, local central bodies, joint councils, or other similar labor organizations.

11. Member Death Benefit Receipts and Disbursements

Local 393 erroneously reported the receipts and disbursements for the death benefit payments, remitted by the members to the local for disbursement to beneficiaries, in Item 48 (Other Receipts) and Item 55 (Benefits), respectively. The local should have properly reported the receipts and disbursements in Item 47 (From Members for Disbursement on Their Behalf) and Item 64 (On Behalf of Individual Members), respectively. Local 393 should report in Item 47 all receipts collected from members that are specifically designated by them for disbursement on their behalf. When the receipts reported in Item 47 are transmitted, the disbursement must be reported in related Item 64.

12. International Union Death Benefit Receipts and Disbursements

Local 393 erroneously reported the receipts and disbursements for the International Union death benefit payments, remitted by the International Union to the local for disbursement to beneficiaries, in Item 46 (On Behalf of Affiliates for Transmittal to Them) and Item 64 (On Behalf of Individual Members), respectively. The local should have properly reported the receipts and disbursements in Item 48 (Other Receipts) and Schedule 20 (Benefits), respectively. Local 393 should report in Item 48 all receipts to the union that cannot be allocated to any other disbursement category in Statement B and should report in Schedule 20 all direct disbursements to officers, employees, members, and their beneficiaries.

Local 393 must file an amended Form LM-2 for the fiscal year ended June 30, 2012, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-2 must be filed no later than September 13, 2013. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Ironworkers Local 393 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 used to redact the signature of the investigator.

Investigator