U.S. Department of Labor

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March 30, 2017

Ms. Kathleen Van Vleet, President
IATSE LU 187
[redacted]

Case Number: 310-6009809[redacted]
LM Number: 040204

Dear Ms. Van Vleet:

This office has recently completed an audit of IATSE LU 187 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, Gail Stroh Secretary-Treasurer and Deborah Mayers Business Representative on February 22, 2017, 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.

<u>Recordkeeping Violations</u>

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 187's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

   Local 187 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by President Kathleen Van Vleet totaling $861. For example, the Local did not retain receipts for the lodging or meals incurred by President Van Vleet while on union business.

   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

   Local 187 did not record in its receipts records some dues and other receipts payments received from members and its subsidiary totaling at least $278,000. For example, Local 187 failed to record $250,000 in receipts, including member hiring fees and employer assessments from its subsidiary MTPS and $28,000 in member's quarterly dues payments and hiring fees received by the union.

   Union receipts records must 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. Lack of Salary Authorization

   Local 187 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 187s LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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-3 filed by Local 187 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers

   Local 187 did not include some payments to officers totaling at least $11,900 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The Local failed to report MTPS Inc. commission payments of $4,760 to Secretary Treasurer Gail Stroh and $7,140 to Business Representative Deborah Mayers. These amounts were not included in the amounts reported in Item 24 of the LM-3 Report.

   Local 187 failed to report in Item 24 (All Officers and Disbursements to Officers) $861 paid to President Van Vleet for lodging and travel during the fiscal year.

   The union must report most direct disbursements to Local 187 officers and some indirect disbursements made on behalf of its officers 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. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) 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).

2. Per Capita Tax Disbursements

   Local 187 did not report some payments for per capita taxes in Item 47 (Per Capita Tax) totaling at least $5,057. It appears that the local erroneously reported these payments elsewhere on the report. Unions must report the total amount of per capita tax paid as a condition or requirement of affiliation with your parent national or international union, state and local central bodies, a conference, joint or system board, joint council, federation, or other labor organization in Item 47.

3. Professional Fees

   Local 187 did not report some payments for professional fees in Item 49 (Professional Fees) totaling $1,824. Unions must report the organization’s total disbursements for “outside” legal and other professional services (auditing, economic research, computer consulting, arbitration, etc.) in Item 49.

4. Failure to File Bylaws

   The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 187 amended its constitution and bylaws in 2003 but did not file a copy with its LM report for that year. Local 187 have now filed a copy of its constitution and bylaws.

5. Failure to Report a Subsidiary Organization

   The Michiana Theatrical Payroll Services Inc. (MTPS) is a subsidiary of Local 187. MTPS is wholly owned and governed by the union officers, employees, and members, and is wholly financed by Local 187. The audit disclosed that Local 187's subsidiary organization's bank balance began the year at $25,559 and ended at $7,067, added total receipts of approximately $266,647, and disbursed a total of $284,199; however, Local 187 failed to report this information in one of the two methods described in the LM instructions.

   Local 187 must report its subsidiary organization in one of two methods:

   Method (1) — Consolidate the financial information for the subsidiary organization and the labor organization on a single Labor Organization Annual Report Form LM.

   Method (2) — File with the labor organization's Form LM-3, the regular annual report of the financial condition and operations of the subsidiary organization, accompanied by a statement signed by an independent public accountant certifying that the financial report presents fairly the financial condition and operations of the subsidiary organization and was prepared in accordance with generally accepted accounting principles. Financial information reported separately for subsidiary organizations under this method must include the name of the subsidiary organization and the name and file number of the labor organization as shown on its Form LM-3. The financial report of the subsidiary organization must cover the same reporting period as that used by the reporting labor organization.

Local 187 must file an amended annual financial report for fiscal year ended December 31, 2015. You and Gail Stroh advised that you will report your organization's subsidiary organization on Local 187's annual financial report. Since Local 187 and MTPS combined annual receipts exceed $250,000, Local 187 must file an amended Form LM-2. 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 April 21, 2017. Before filing, review the report thoroughly to be sure it is complete and accurate.

<u>Other Violation</u>

The audit disclosed the following other violation(s):

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 187's officers and employees are currently bonded for $60,000, but they must be bonded for at least $65,000. Local 187 obtained adequate bonding coverage for its officers and employees on February 24, 2017.

Other Issues

1. Use of Signature Stamp

   During the audit, Local 187 Secretary Treasurer Gail Stroh advised that it is Local 187's practice for Stroh to sign all union checks and to stamp the signature of President Kathleen Van Vleet on union checks, including all checks drawn on the MTPS payroll account. Secretary-Treasurer Gail Stroh indicated that no one but Stroh reviews the checks before they are issued.

   Article VIII and Article IX, Section F (page 6) of Local 187's bylaws requires that checks be signed by the secretary treasurer and president. 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 the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement.

   OLMS recommends that Local 187 review these procedures to improve internal control of union funds.

   Local 187 advised OLMS that the signature stamps will no longer be used.

I want to extend my personal appreciation to IATSE LU 187 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: Mrs. Gail Stroh, Secretary-Treasurer