



March 13, 2018



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Dear Mr. Ohler:

This office has recently completed an audit of United Independent Aerosol Workers 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 March 5, 2018, 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 the United Independent Aerosol Workers 2017 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses and Items Purchased

The United Independent Aerosol Workers did not retain adequate documentation for reimbursed expenses incurred by union officers. For example Board Member [REDACTED]

██████ was reimbursed \$4,764 for the purchase of gift cards and other items for the union's Christmas party; however, the union did not maintain receipts to support this reimbursement.

In addition, union records indicate the union purchased \$17,600 worth of gift cards for union members; however, only \$3,575 in receipts could be located in union records. The union was also missing receipts for the purchase of other items for the Christmas party to include alcohol, gift baskets and cake.

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. Disposition of Property

The United Independent Aerosol Workers did not maintain an inventory of the gift cards given to union members. For example, during the Christmas season, each union member was given a \$100 gift card. The union required the member to initial the union's seniority list indicating receipt of the gift cards, however, the union could not find the seniority list initialed by the members. In the case of items given away to union members, the union must retain records that identify the date the items were given away and the recipients of those items.

3. Failure to Properly Record Receipts and Failure to Maintain Deposit Records

The United Independent Aerosol Workers did not record in its receipts records the source of the money received from employer dues; rather only the amount of the deposit and the date that the money was received was recorded. In addition, the union failed to maintain deposit slips associated with the employer dues. 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. In addition, the union must maintain all bank records.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file the United Independent Aerosol Workers 2017 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 the United Independent Aerosol Workers for the fiscal year ended May 30, 2017 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (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 gift cards to members totaling over \$17,600 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.

2. Disbursements to Officers

The United Independent Aerosol Workers did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. For example, Board Member [REDACTED] was reimbursed \$4,764 for union related expenses; however, it appears the union erroneously reported these payments in Item 50. The union also failed to list the board members in Item 24. According to the bylaws, board members are listed as officers of the union. Therefore, they must be included on the LM report.

The union must report most direct disbursements to union 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).

3. Item 43 Other Receipts

It appears that the receipt figures reported in Item 38 (Dues) include money received during the union's Christmas party. Union records reflect over \$2,285 in deposits was attributed to the union's Christmas party. These receipts should have been recorded in Item 43 (Other Receipts).

4. Item 51 (Contributions, Gifts & Grants)

It appears that cash disbursements reported in Item 50 (Benefits) reflect monies spent by the union for the purchase of gift cards and for expenses associated with the Christmas party. These expenses should have been reported under Item 51 (Contributions, Gifts & grants).

The United Independent Aerosol Workers must file an amended Form LM-3 for the fiscal year ended May 30, 2017, 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-3 should be filed no later than April 16, 2018. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to United Independent Aerosol Workers 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: Mr. Doug Ream, Certified Public Accountant