



May 15, 2018

Mr. Mark B. Landau, President
Sheet Metal Workers, Local 83
900 Commerce Park
Clifton Park, NY 12065

Case Number: 110-6012217 [REDACTED]
LM Number: 029167

Dear Mr. Landau:

This office has recently completed an audit of Sheet Metal Workers (SMW), Local 83 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 and Certified Public Accountant (CPA) Jim Sheppard on April 18, 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 Local 83's 2016 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 83 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$1,989. For example, there were several Hannaford Supermarket charges totaling at least \$60 for which receipts were not retained.

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. Meal Expenses

Local 83 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, a meal charged to the union credit card at Johnny Rivers Restaurant, Orlando, FL, for \$112.40 did not include the purpose or names of individuals present. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Lack of Authorization

Local 83 did not maintain adequate records to support proper authorization was received for a disbursement totaling \$56,042.68 from the union's Holding Account to an employer where only one signature was applied to the issued check. The audit revealed that Local 83's records did not contain a sufficiently clear and descriptive authorization to ensure the payment made to the employer was proper and authorized by the executive board and membership. The union must keep a record, such as meeting minutes, to show authorization of such payments by the entity or individual in the union with the authority to authorize such payments.

Additionally, it is OLMS' recommendation that the union use a two signature practice for all transactions. The two signature practice is an effective internal control of union funds and attests to the authenticity of a completed document already signed.

Based on your assurance that Local 83 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 83 for the fiscal year ended December 31, 2016, was deficient in the following area:

Failure to Itemize Disbursement

Local 83 did not properly report at least one “major” transaction in Schedule 19, Union Administration. A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that the union purchased Innovative Solutions software for \$5,446 on September 15, 2016 but failed to itemize this transaction.

I am not requiring that Local 83 file an amended LM report for 2016 to correct the deficient item, but Local 83 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issue

Use of Signature Stamp

During the audit, Local 83 advised that a signature stamp is only used when the second signator, Treasurer Dave Mellon, is not physically present. His signature stamp is used only after he sees and approves the disbursement. 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 83 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Local 83 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. James M. Sheppard, CPA
Mr. David B. Mellon, Financial Secretary-Treasurer