



February 4, 2019

Mr. Lacy Wolf, Jr.,  
Financial Secretary/Business Manager  
Insulators Local 22  
[REDACTED]

Case Number: 420-6014760 [REDACTED]  
LM Number: 028876

Dear Mr. Wolf:

This office has recently completed an audit of Insulators Local 22 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 Financial Consultant Galen Mansee on February 1, 2019, 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 22's 2017 records revealed the following recordkeeping violations:

1. General Expenses

Local 22 did not always retain adequate documentation for its expenses, totaling \$15,337.86. For example, Local 22 failed to retain any receipt or invoice for a payment made to Studs Remodeling, a payment to Hodges Auctions & Liquidators, a payment to Flores Motors Paint and Body Shop, and a payment to Gateway Ace Hardware.

Additionally, Local 22 failed to maintain itemized receipts or invoices for four other payments to Gateway Ace Hardware.

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 22's 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 \$444.85 purchase for meals and drinks at Perry's Steakhouse and Grill, and a \$135 charge at Top Golf did not record the attendees' titles.

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. This information is necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

## 3. Union-Owned Vehicles

The union did not maintain records necessary to verify the accuracy of the information that must be reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

Local 22 incurred expenses for automobiles during 2017. However, Local 22 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

## 4. Wages Paid to "Assistants"

Local 22 did not retain adequate documentation for "Assistant" wage payments to Andrea Wolf, Coryn Wolf, and Christyn Wolf for at least 103 instances. The union must maintain records in support of these wage claims that identify each date wages occurred, the number of hours worked on each date, the applicable rate of pay, and a description of the union

business conducted. The OLMS audit found that Local 22 did not always record a sufficient description of the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 22 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for these types of wages and other officer expenses.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 22's 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-2 filed by Local 22 for the fiscal year ended December 31, 2017, was deficient in the following areas:

#### 1. Disbursements to Officers and Employees

Local 22 did not include reimbursements and per diem payments to officers and employees totaling at least \$8,050.75 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 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 Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

#### 2. Automobile Expenses

Local 22 did not report in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) disbursements for the operation and maintenance of union automobiles.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

### 3. Failure to Itemize Disbursements

Local 22 did not properly report "major" transactions in Schedules 15-19. 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 Local 22 paid \$8,424.08 to Studs Remodeling, \$5,000 to Thomas and Reed, PC, \$10,850.78 to Awards and T-Shirts Specialists, \$11,030.36 to Hodges Auctions and Liquidations, and \$7,053.43 to Gateway Ace Hardware during the audit period without reporting these individual vendors' aggregate amounts in Schedules 15-19.

I am not requiring that Local 22 file an amended LM report for 2017 to correct the deficient items, but Local 22 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 22 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

#### 2. Personal use of Credit Cards/Duplicate Expenses

The audit revealed that officers and employees sometimes use union credit cards to pay for personal expenses. Although officers and employees sometimes promptly repaid Local 22 for the personal expenses charged, other times they did not. Also, the audit determined that you and Business Agent Domingo Barron used Local 22's credit cards to charge expenses to attend the 2017 Insulators International Convention held in August 2017. You advised that some of the expenses to attend this convention were ultimately paid by the Insulators International Union. You and Barron, however, failed to reimburse Local 22 for these duplicate expenses, \$3,168.60 and \$1,435.20, respectively, until this audit began.

OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds. Additionally, any charges incurred on Local 22's credit card that are reimbursed by a third party through you must be repaid to Local 22 in a prompt manner.

I want to extend my personal appreciation to Insulators, Local 22 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,



Senior Investigator