

2007 Annual Report



Office of Labor-Management Standards

Employment Standards Administration
U.S. Department of Labor
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Introduction

Assuring financial integrity and accountability and safeguarding union democracy for America's union members is the mission of the Department of Labor's Office of Labor-Management Standards (OLMS). In 1959, Congress enacted the Labor-Management Reporting and Disclosure Act (LMRDA) to combat union-related corruption, and OLMS continues today to pursue this important goal through criminal and civil enforcement of the LMRDA.

The LMRDA establishes a bill of rights for union members; reporting requirements for unions, union officers, union employees, employers, and others; rules for establishing and maintaining trusteeships; standards for the election of union officers; and safeguards for protecting union funds and assets. OLMS also administers Executive Order 13201, which requires federal contractors to notify employees of their rights concerning payment of union dues or fees.

OLMS is the front line agency responsible for enforcing the LMRDA through its criminal investigations of violations such as embezzlement, deprivation of rights by violence, extortionate picketing, willful failure to file reports, filing false reports, and fraud related to union elections. Civil investigations include violations of the LMRDA in union election procedures, financial disclosure requirements, and trusteeship standards. OLMS also performs audits of union finances, administers a comprehensive compliance assistance program, and offers information and technical support to union officers and members to further the goals of financial integrity, union democracy, and transparency. Where audits or investigations suggest evidence of organized crime or labor racketeering, OLMS refers cases to the Office of Inspector General and conducts joint investigations with them.

Summary Statistics

Safeguarding Union Assets

As part of its effort to protect and safeguard union funds and assets, OLMS investigates possible embezzlement from unions and violations of other criminal laws. Since 2001, courts hearing OLMS criminal cases have ordered \$88,280,099 in restitution to be paid to defrauded unions and other parties. OLMS also conducts audits of local, intermediate and international unions to ensure and promote their compliance with the LMRDA.

OLMS Enforcement Statistics – Financial Integrity	FY 2007	Change from FY 2001
Criminal Cases Processed	406	+9.4%
Indictments	99	+1.0%
Convictions	118	+15.7%
Compliance Audits Conducted – Local + Intermediate Unions (CAP)	775	+226%
Compliance Audits Conducted – International Unions (I-CAP)	7	+600%
Compliance Audits – I-CAP Follow-up audits	2	+100%

Financial Reporting and Recordkeeping

OLMS offers extensive compliance assistance sessions for union members and officials on the financial reporting and recordkeeping obligations under the LMRDA. As part of its commitment to financial transparency for union members and in an effort to better protect America's workers by ensuring fuller compliance with the financial reporting requirements under the law, OLMS initiated a special program to deal with labor organizations that were still delinquent in filing their annual financial reports for 2005. OLMS also provided compliance assistance to train union officials in the use of electronic filing software and the reporting requirements of the revised electronic Form LM-2, the annual financial report for the nation's largest unions, as well as other OLMS public use forms including the newly revised Form LM-30, Labor Organization Officer and Employee Report.

OLMS Enforcement Statistics – Reporting and Disclosure	FY 2007
Delinquent Reports Cases Processed	2,088
Deficient Reports Cases Processed	778

Union Democracy

When a union member files a timely complaint protesting a regularly scheduled election of union officers, OLMS initiates an investigation. If the investigation determines that the union violated the requirements of the LMRDA, the union may agree to allow OLMS to supervise a new election. If the union refuses to voluntarily agree to remedy the violation, OLMS may take legal action seeking a new election supervised by OLMS.

The agency also conducts investigations to determine the validity of the imposition or continuation of trusteeships imposed by national unions on subordinate bodies. Trusteeship investigations can only be conducted upon receipt of a complaint from a member or subordinate body.

OLMS Enforcement Statistics – Union Democracy	FY 2007
Election Investigations Conducted	113
Lawsuits Filed	7
Voluntary Compliance Agreements Obtained	25
Supervised Elections	26
Trusteeship Investigations	9

Program Activities

Criminal Enforcement

Union officers, employees, and representatives have a duty to manage the funds and property of the union solely for the benefit of the union in accordance with its constitution and bylaws. A union officer or employee who embezzles or misappropriates union funds or assets commits a federal crime punishable by a fine and/or imprisonment. OLMS is the agency within the Department of Labor responsible for investigating these crimes. Its vigorous criminal enforcement program has resulted in over 840 indictments and 800 convictions since the beginning of FY 2001. Following are some of the most significant cases during FY 2007.

OLMS Investigates Officer of New York State Nurses

An investigation by OLMS and the Town of Colonie, New York led to the indictment, conviction and sentencing of John Daley, former chief financial officer of the New York State Nurses Association in Albany, New York. The investigation established that Mr. Daley wrote a series of unauthorized union checks to himself totaling \$1,193,869 over a five-year period. He pled guilty to *second degree larceny* and on March 20, 2007, was sentenced to 3½ to 10 years in jail and ordered to make full restitution to the union.

Lone Holdout in \$1.9M Embezzlement is Convicted and Sentenced

A joint investigation by OLMS and the FBI led to charges of *conspiracy, money-laundering, filing false LM reports, and embezzlement* of more than \$10 million from union and benefit plan funds belonging to members of International Longshoremen's Association Local 1740 in Puerto Rico. A 23-count indictment charged former Local 1740 president Jorge Aponte-Figueroa, 3 union attorneys, 6 businessmen and 3 corporations with participating in the scheme. To date, eight guilty pleas have been received from 2 corporations, 1 attorney, and 5 businessmen. These individuals conspired to embezzle more than \$8 million from the union's health plan by laundering money through their businesses and corporations. They face sentences ranging from four months house arrest to 17 years in prison.

On April 3, 2007, Jorge Aponte-Figueroa, the lone holdout in a scheme to embezzle more than \$1.9 million in union funds, was found guilty of all charges at trial. Six of the co-conspirators served as witnesses in Aponte-Figueroa's trial. He was sentenced on August 31, 2007, to five years

imprisonment followed by three years supervised release.

Steelworkers Local Treasury Raided— More than \$274,000 Stolen

From November 1999 through July 2006, Alan Raines, former secretary-treasurer for Steelworkers Local 1358 in Southfield, Michigan, wrote 482 unauthorized checks to himself totaling more than \$274,000 using a separate set of local checks and forging the signature of the local's treasurer. Raines admitted he had been writing checks to himself ranging from \$1000 to \$2000 per month since 1996 or 1997. Raines was charged with *embezzlement and bank fraud*, pled guilty to the embezzlement charge and is awaiting sentencing.

OLMS Audit Reveals Embezzlement

A compliance audit of San Mateo, California-based National Association of Letter Carriers Branch 1280 uncovered an embezzlement of union funds totaling more than \$170,000. On May 24, 2007, the ensuing criminal investigation resulted in a federal grand jury indictment of Branch President Graham Paul Vane for one count of *embezzlement* and four counts of *making false statements to a government agency*. Vane is charged with using a union-issued credit card for personal expenses, and using union funds to pay for his wife's cell phone bills and personal charges made on ten of his own credit cards. The personal expenses paid with union funds included dining, travel for family members, jewelry, wine, massages, pet expenses, utility bills, and groceries.

Union Members Receive Immediate Restitution of \$91,605

Andrew Konspore, former treasurer of the Northeast Emergency Services Union in New Haven, CT, pled guilty to *embezzling* \$91,605 in union funds. Konspore made full restitution to the union before beginning his five-month prison term, which will be followed by 36 months of supervised release.

Sentencing of Elevator Constructor Local 1 Member

Leonard Capozzoli, a member of Elevator Constructor Local 1 in Long Island City, New York, was sentenced to three years probation, ordered to pay \$75,216 in restitution and a special assessment as a result of his guilty plea to *conspiracy to demand and receive unlawful labor payments, conspiracy to commit mail fraud, and conspiracy to defraud the United States*. Capozzoli was a part of a scheme involving no-show jobs in the New York City construction industry. Capozzoli participated as a beneficiary of, and was instrumental in arranging for, no-show jobs for others. He kicked back proceeds from the no-show jobs to Lead Operator Anthony Degennaro, a union representative and Executive Vice President Charles Novak. This conviction is the result of a joint investigation with the FBI.

Former Treasurer Embezzles Over \$164,000

Judy Thurman, former treasurer of the Federated Independent Texas Union Local 900 in Fort Worth, Texas, pled guilty to one count of *embezzlement of union funds* totaling \$164,268. This criminal case was opened following an OLMS audit in which OLMS was thwarted in its efforts to obtain the union's monthly bank statements from Thurman. Subpoenaed bank records revealed 63 union checks, endorsed by Thurman, that were deposited into her personal bank accounts. Thurman also

made cash withdrawals of union funds amounting to \$35,850 for personal use. Thurman pled guilty before trial.

Guilty Pleas Entered by Officers of AFGE Local 1793 at VA Medical Center

Former president Lawrence Marable and former treasurer Deborah Powell of AFGE Local 1793 in Philadelphia, Pennsylvania, each pled guilty to one count of *conspiracy*, five counts of *theft of property in a special territorial jurisdiction of the United States*, and one count of *making false statements* as they conspired to convert union dues checks to their own use. The two stole \$184,130 of the local's funds when they converted dues check-off payments to their personal use. Marable and Powell, also officers of the Veterans Administration credit union, used the credit union to launder union funds by establishing three separate accounts, one in each of their names and a third as a general union steward account. Marable and Powell deposited union dues checks into these accounts and then withdrew the funds by issuing and cashing 185 money orders. OLMS worked with the Veterans Affairs Inspector General's Office during this investigation.

Saginaw City Councilman Pleads Guilty

Willie Haynes, former financial secretary of UAW Local 362 in Bay City, Michigan pled guilty to one count of *willfully making false statements* on annual LM financial disclosure reports filed by Local 362 for 2001, 2002 and 2003. Haynes, a member of the Saginaw City Council since July 15, 2002, paid himself nearly \$9,000 in union funds for hours he claimed to be missing work to perform union business. OLMS compared payroll records from the UAW International Union, UAW Local 362, and Haynes' employer, which showed that Haynes misrepresented these lost-time payments on the local's financial reports.

Office Manager Sentenced on One Count of Embezzlement

On November 14, 2006, Connie Jacobs, former Office Manager for the Electrical Workers (IBEW) Local 495, pled guilty to one count of *embezzlement of union funds* after she wrote checks to herself from Local 495 bank accounts. On February 21, 2007, in the United States District Court for the Eastern District of North Carolina, Jacobs was sentenced to twelve months and one day incarceration followed by three years probation. She was also ordered to pay a special assessment fee and \$119,432 in restitution to the union.

Ludlow/Humphries Union Embezzlement and Public Corruption Case Decided

A high profile, multi-year investigation of the former president of a 20,000-member union consisting primarily of employees of the Los Angeles Unified Public School District was finally brought to a close with the second conviction of Janett Humphries on May 14, 2007.

In a jury trial ending on October 27, 2006, Humphries was found guilty of two counts of *conspiracy* and two counts of *perjury* in Los Angeles County Superior Court. She was later sentenced to six months in jail, followed by six months of electronic monitoring. The state judge dismissed a defense motion for home confinement because of the element of public corruption in her offense that involved using union money and employees to fund Martin Ludlow's primary and election campaigns for Los Angeles City Council.

Ludlow won his campaign for election to the City Council due in part to the union support provided by Humphries. Shortly thereafter, he assumed the post of Executive Director of the Los Angeles County Federation of Labor. As a result of Ludlow's

indictment on federal conspiracy charges in March 2006, the results of the OLMS embezzlement investigation became known, and Ludlow was forced to resign from the Federation of Labor. On April 24, 2006, he was sentenced in California State Superior Court to 3 years probation and \$45,000 in fines for illegally *diverting union funds* to his campaign, in violation of the Los Angeles County public office election code. On June 5, 2006, he was sentenced in U.S. District Court to 5 years probation, 2,000 hours of community service, and ordered to pay restitution of \$36,400 to SEIU Local 99 for the union money Humphries illegally diverted for his use.

Humphries pled guilty in U.S. District Court for the Central District of California to one count of *conspiracy* and three counts of *embezzlement* of union funds on November 13, 2006. She was sentenced to 5 years probation, 1,000 hours of community service, and ordered to pay \$5,149 in restitution to Service Employees International Union Local 99. The conviction was the result of a plea agreement.

Both Humphries and Ludlow are barred from holding union office or employment for 13 years following these convictions. The two-year investigation was conducted by a task force of OLMS, DOL-Office of Inspector General (DOL-OIG), and FBI agents and was coordinated with the chiefs of the Los Angeles County District Attorney's public corruption unit and the criminal division of the United States Attorney's office for the Central District of California.

OLMS Audit Leads to Guilty Plea for Embezzlement

When OLMS contacted Professional Airline Flight Control Association Treasurer Kirk Allan Tuttle, in Atlanta, Georgia, to schedule a compliance audit, Tuttle confessed to *embezzling union funds*. Tuttle admitted to converting the union's money to his own use by writing checks payable to cash and using the union's debit card to make cash withdrawals.

Tuttle, who used the stolen funds to gamble, started embezzling the union's money in the fall of 2004 after being elected as the union's treasurer. To cover up his embezzlement, Tuttle set up "dummy" investment accounts in the union's bookkeeping software with ING and Ford Motor Credit Corporation (FMCC) and recorded transfers of money from the union's checking account to the investment accounts. The transfers Tuttle recorded in the union's books represented the union funds he embezzled.

To further conceal his embezzlement, Tuttle went to ING and FMCC Web sites to learn the amount of interest they were paying and used those interest rates to determine the amount of interest the union would have earned on its money had Tuttle set up actual accounts with ING and FMCC. Tuttle prepared and presented financial reports containing the bogus information to the union membership each month. On May 31, 2007, Tuttle entered a guilty plea after being indicted for stealing \$172,846 in union funds. Tuttle paid over \$159,000 in restitution and received a nine-month prison sentence.

Audit Finds Embezzlement by Mine Workers Local 1638 Financial Secretary

An OLMS criminal investigation established that from June 8, 2002 through June 16, 2005,

Danny E. Beyser, former financial secretary of Mine Workers Local 1638 in Moundsville, West Virginia, converted \$83,274 in union funds to his own use by paying personal bills (\$27,900), requesting and receiving reimbursement for unauthorized expenses and excessive mileage claims (\$9,750), requesting and receiving reimbursement for false lost wage claims (\$16,739), cashing or depositing voluntary employee donations collected to assist members facing financial hardships to his personal accounts (\$25,472), and causing the union to suffer tax penalties and interest charges due to his failure to file timely reports with the IRS (\$3,414).

In an effort to hide his embezzlement, Beyser made false entries in union records and the Form LM-3 annual financial reports filed with the Secretary of Labor. On June 5, 2007, in the United States District Court for the Northern District of West Virginia, Beyser was charged with *embezzling* \$83,274 in union funds. Beyser pled guilty on October 2, 2007, and was awaiting sentencing at the time of this publication.

Two Officers of AFGE Local 96 Guilty of Embezzlement

Mary Love, former president of AFGE Local 96, in St. Louis, Missouri was sentenced to 18 months confinement on March 2, 2007, after being found guilty in a jury trial of *embezzling* \$69,125 and *lying* on the local's annual financial report, Form LM-3, in an attempt to conceal her embezzlement.

Former Treasurer Dana France received a sentence of five years probation following her guilty plea to embezzling \$26,950 from the local. Both former officers were ordered to make full restitution to the union of the moneys stolen.

Financial Reporting and Recordkeeping

Division of International Union Audits Exposes Violations

The Division of International Union Audits (DIUA), established by OLMS in 2004, completed its third full year conducting the International Compliance Audit Program (I-CAP).

During FY 2007, unions completed their second fiscal year under the Department's revised recordkeeping and reporting requirements, submitting their Form LM-2s using electronic filing software. Of the seven audits and two follow-up audits DIUA conducted in FY 2007, eight were of unions that had submitted their Form LM-2 electronically. One union was not required to file electronically since it files Form LM-3. DIUA also began work on one additional audit and two follow-up audits that will be completed in FY 2008.

Seven audits and four follow-up audits are scheduled for FY 2008. DIUA continues to focus predominately on international unions with no prior audit history.

The audit findings are provided to the unions in closing letters, which are later posted on the OLMS Web site, www.olms.dol.gov. For serious deficiencies and violations that have not been corrected by the union at the time of the exit interview, DIUA conducts follow-up audits to review LMRDA compliance, discuss the corrective actions the union has taken to resolve deficiencies, and continue cooperative efforts to assist the union in coming into compliance.

During the FY 2007 audits and follow-up reviews, DIUA staff identified a total of 116 violations of the LMRDA and instances of inadequate internal controls:

- 64 involved reporting deficiencies.
- 18 concerned inadequate recordkeeping violations.
- 28 related to the lack of internal controls safeguarding financial operations.
- 6 included fiduciary responsibility, bonding, and office holding prohibitions.

Union Advisory Services Program

In 2007, OLMS established a Union Advisory Services program to provide enhanced advisory support and compliance assistance to labor organizations at the national, intermediate, and local levels. This support and assistance is intended to promote union democracy, transparency and financial integrity under the LMRDA. A primary function of the program is to review union constitutions and bylaws to determine if any provisions conflict, or could be applied to conflict, with the law and to advise unions of any changes needed to bring those provisions into compliance with the law. In 2007, OLMS instituted 86 constitution reviews and mailed 45 constitution review letters; 3 reviews did not result in a letter.

If a union's constitution and bylaws do not fully explain the union's policy relating to 13 issues specified in section 201(a) of the LMRDA, the union must file detailed statements with OLMS describing those policies on Form LM-1, Labor Organization Information Report. These issues include matters of vital importance to union members such as how assessments are imposed on members, the procedure for authorizing disbursements of union funds, how contracts are ratified, and how strikes are authorized. A union's latest Form LM-1 is reviewed at the same time as the constitution and bylaws and the union will

be requested to file an amended Form LM-1 if the information on file with OLMS is not current. In addition, all initial Form LM-1 reports filed by newly created unions are reviewed and a revised initial Form LM-1 is sought if the initial report is deficient. In 2007, 206 initial Form LM-1 reports were reviewed and 106 letters seeking new or amended reports were prepared.

The Union Advisory Services program prevents violations of union members' rights by notifying unions in advance of problems or potential problems with their constitutions and bylaws. In addition, it increases transparency of union operations by ensuring that union members have immediate access through the Online Public Disclosure Room at www.unionreports.gov to a copy of their union's latest constitution and bylaws and its policies on those matters required by law to be made public.

Compliance Assistance

For the past year, OLMS reports the following Compliance Assistance successes:

- OLMS has continued its program of structured, nationwide compliance assistance seminars. The goal of this program is to provide an opportunity each year for the officers of every labor organization covered by the Labor-Management Reporting and Disclosure Act (LMRDA) or the Civil Service Reform Act (CSRA) to attend a compliance assistance seminar. The content of each year's compliance assistance seminar is similar throughout the country so that every officer in attendance is exposed to the same material. Fifty-two seminars were held in FY07.
- Upon publication of the July 2, 2007 final rule for the Revised Form LM-30, Labor Organization Officer and Employer Report, OLMS has made available a sample form, a fillable form, form

instructions, a fact sheet, Frequently Asked Questions (FAQs) and a PowerPoint presentation on the OLMS Web site.

- OLMS continues to promote and use an electronic mailing list system to send email messages to unions, accountants, union members, and other interested individuals. OLMS sent 15 such messages in FY 07.
- OLMS issued an on-line publication on the LMRDA section 504 prohibition against persons convicted of certain crimes from holding union office or employment.
- OLMS also published an on-line guide to help labor organizations apply a digital signature to their electronic annual financial disclosure forms and to troubleshoot some common digital signature issues.

Collective Bargaining Agreements Added to Online Public Disclosure Room

As a result of Secretary's Order 4-2007, issued in May 2007, the authority for maintaining the Department of Labor's collective bargaining agreements (CBA) file was transferred to OLMS from the Bureau of Labor Statistics (BLS). The CBA file has been maintained since 1947, pursuant to Section 211(a) of the Taft-Hartley Act, which directs the Department to collect these agreements "for the guidance and information of interested representatives of employers, employees, and the general public." Currently, collective bargaining agreements covering 1,000 or more workers, excluding railroads and airlines, are included in this file. The agreements are available in the Online Public Disclosure Room at www.unionreports.gov. The agreements can be retrieved by the name of the employer with separate listings for private and public sector agreements.

Delinquent Form LM-2 Initiative

As part of its commitment to financial transparency for union members and in an effort to better protect America's workers by ensuring fuller compliance with the financial reporting requirements under the law, OLMS also initiated a special program to deal with labor organizations that were still delinquent in filing their report for 2005. The OLMS effort to reduce this delinquency initially focused on

approximately 1,275 unions whose reports were over one year past due, including 99 of the largest unions, which were required to file the electronic Form LM-2. These unions should have filed financial disclosure forms for their fiscal years ending in 2005, with the reports due no later than March 31, 2006. To date, letters from OLMS to the delinquent Form LM-2 unions resulted in the receipt of all but 19 of the required reports.

Union Democracy

The LMRDA establishes democratic standards for conducting union officer elections, such as the frequency and method of election, the right of members in good standing to be candidates, rights of candidates, and voting rights of members. An investigation will be conducted if OLMS receives a timely filed complaint from a union member alleging that the LMRDA has been violated. If the investigation determines that the election provisions have been violated, OLMS may negotiate a voluntary agreement to have the union rerun the election under OLMS supervision or OLMS may take legal action seeking a new election. In cases where they occur, OLMS investigates criminal violations associated with elections including ballot fraud, false statements, and deprivation of rights under the Act by violence. Following are highlights of some of the most significant OLMS election cases during FY 2007.

OLMS Supervises Remedial Election of Allied Pilots National Officers

In order to settle a lawsuit challenging the election of national officers conducted by the Allied Pilots Association in 2004, the union agreed to permit OLMS to supervise a remedial election of the union's national officers in 2007. OLMS had alleged that the Internet voting system used by the union in the 2004 election did not ensure ballot secrecy. The Allied Pilots Association, headquartered in Fort Worth, Texas, represents 9,000 members employed by American Airlines. The supervised election, which included an initial vote as well as a run-off election, was conducted by mail ballot and was completed on June 20, 2007.

OLMS Supervises Election of Officers for Washington Teachers' Union (WTU)

OLMS filed suit in U.S. District Court for the District of Columbia seeking to overturn the 2005 election of officers conducted by the Washington Teachers' Union (WTU). On February 6, 2007, to settle the lawsuit, OLMS and WTU entered into a court-approved settlement whereby OLMS would supervise the union's 2007 election of officers. OLMS supervised all aspects of the election, including nominations, mailing of ballots, and the ballot tally. The supervised election for 21 positions was completed on May 19, 2007. WTU represents 4,500 teachers in Washington, D.C.

Steelworkers Local 9-772 Reaches a Settlement Agreement with OLMS

OLMS obtained a voluntary settlement agreement with Steelworkers, AFL-CIO, Local 9-772 (formerly PACE, AFL-CIO, Local 5-772) in Memphis, Tennessee and Detroit, Michigan concerning the local's failure to hold an election in January 2006. Local 9-772 agreed to conduct nominations and an election for the positions of president, vice president, recording secretary, financial secretary, treasurer, guide, two guards, three trustees, and one grievance committee member. The union represents 700 members employed by Pinnacle Airlines. The remedial supervised election was held on May 30, 2007.

Voluntary Rerun of International Federation of Professional and Technical Engineers Local 259

OLMS obtained a voluntary settlement agreement with the International Federation of Professional and Technical Engineers (IFPTE), AFL-CIO, Local 259 on April 16, 2007, after investigating a complaint that the union failed to conduct its regularly scheduled officer election in 2006. Local 259 agreed to hold nominations and an election under OLMS supervision for the offices of president, first vice president, second vice president, third vice president, chief steward, secretary, and treasurer. The union represents members employed by the Army Corps of Engineers in Memphis, Tennessee. The supervised election was completed on June 13, 2007.

American Maritime Officers Union Agrees to Conduct Remedial Election of Officers

OLMS investigated the election of national officers conducted by the American Maritime Officers (AMO) on December 6, 2006. AMO represents 4,000 members employed as officers aboard ships around the world. The investigation disclosed that

two violations occurred with respect to the distribution of campaign literature. First, the mailing house failed to make a campaign mailing for the challenger's slate. Second, union officials did not provide the mailing house with approximately one quarter of the mailing list until after all of the challengers had made their mailings, but before the officers' campaign literature was mailed. OLMS entered into a voluntary settlement agreement with the AMO whereby the union agreed to conduct a new election for 6 national officers under OLMS supervision. The remedial election will be completed in June 2008.

OLMS Supervises Rerun Election of Chicago Regional Council of Carpenters

On May 8, 2006, OLMS filed a lawsuit that resulted in a court-approved settlement agreement to rerun the nominations and election of officers for the Chicago Regional Council of Carpenters (CRC) under the Department's supervision. The CRC is comprised of 42 affiliated local unions with over 47,000 members in 3 states. The Department investigated the CRC's July 9, 2005 election of officers and determined that the union applied an unreasonable candidacy qualification in that nominees were required to have served as a delegate for three successive years prior to nominations. Additionally, some affiliated local unions did not elect their delegates to the CRC by secret ballot.

Delegate elections of all 42 local unions were reviewed with remedial elections conducted as necessary to permit delegates from these locals to vote in the supervised election. OLMS completed the CRC supervised election on March 31, 2007, for the offices of president/executive, secretary treasurer, three trustees, and three business representatives.

Former Teamsters Local President Convicted of Fraud at Criminal Trial

On December 8, 2006, in the United States District Court for the Southern District of Texas, Charles Crawley, former President of Teamsters Local 988, was found guilty of mail fraud arising from a scheme to defraud the local union members' right to honest services by using the mail during the union's October 2002 officer election. Crawley was also convicted of embezzling union property in the form of a ballot, which he used to make fraudulent ballots, and address labels in connection with the election. In addition, he was convicted of arranging and accepting a \$20,000 kickback from the installer of a telephone system in the union's hall and falsifying the voucher for the telephone installation. On May 25, 2007, Crawley was sentenced to 78 months in prison and ordered to pay restitution of \$121,478.

Criminal Conspiracy to Steal Ballots and Rig Election of Union Officers

In September 2007, a federal grand jury returned a seven-count indictment against President Richard Lopez, two former business agents, Mark Jones and Cassandra Mosley, and a former organizer, David Rodriguez, all of Teamsters Local 743, which represents more than 12,000 union

members in the Chicago metropolitan area. All four defendants were charged with one count of conspiracy to commit fraud by depriving Local 743 of their honest services and to embezzle, or steal, the official ballots belonging to Local 743.

In addition, the three former employees were charged with additional counts of embezzlement or theft of the ballots, which are considered union property. Between August and December 2004, these defendants, and others, allegedly caused the addresses of union members to be changed in the union's computer database so that official ballot packages would be diverted to the defendants' friends, family, and associates, who were not members of Local 743 and were not eligible to vote in the two closely-contested 2004 union officer elections. The defendants allegedly collected the fraudulently-delivered ballot packages and then cast them or caused them to be cast in favor of the incumbent officers, who were running together as the Unity Slate, to ensure its victory. The case followed a joint investigation by the OLMS Chicago District Office, the DOL-OIG and the U.S. Postal Inspection Service.

Regulatory Activities

Form T-1 Trust Annual Report

On July 16, 2007, in *AFL-CIO v. Chao*, the United States District Court for the District of Columbia vacated the September 29, 2006, Final Rule implementing Form T-1, Trust Annual Report. The District Court concluded that the Department was required either to have published a proposed rule for notice and comment before issuing the Final Rule or to have included in the Final Rule a finding that there was good cause to dispense with notice and comment as “impracticable, unnecessary, or contrary to the public interest.” As a result of this ruling, no Form T-1 is required to be filed at this time.

Form LM-30 Final Rule

On July 2, 2007, OLMS published a final rule revising Form LM-30, Labor Organization Officer and Employee Report, and its instructions. The Form LM-30 is used to report actual or potential conflicts of interest, and it is an important component in the LMRDA’s transparency program. The revised Form LM-30 must be filed by a labor organization officer or employee for reports covering any of his or her fiscal years that began on or after August 16, 2007, while the current Form LM-30 may be filed for reports covering any fiscal year beginning before that date. Since most individuals’ fiscal years correspond with the calendar year, the practical effect will be that filers will use the new Form LM-30 beginning with the 2008 fiscal year.

The Final Rule clarifies Form LM-30 and its instructions by explaining key terms and providing examples of the financial matters that must be reported. It also eliminates or modifies administrative exceptions in the old Form LM-30 that impeded the full disclosure of financial matters that

constitute conflicts or potential conflicts of interest, eliminates reporting and recordkeeping of small sums, and improves the usability of the reports by union members and the public. Since publishing the Final Rule, OLMS has added revised Form LM-30 compliance assistance materials to its Web site and hosted a free training seminar on October 9, 2007, in which OLMS staff discussed the substance of what must be reported on the revised Form LM-30 and demonstrated step-by-step how to complete the fillable Adobe format revised Form LM-30.