



January 15, 2021

Mr. Kenneth Bolton, Business Manager  
Insulators Local 1  
1401 Fairfax Trafficway  
Kansas City, KS 68115

Case Number: 510-6020167 [REDACTED]  
LM Number: 045924

Dear Mr. Bolton:

This office has recently completed an audit of Insulators Local 1 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 on December 22, 2020, 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 1's 2019 records revealed the following recordkeeping violation:

1. Lack of Salary Authorization

Local 1 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.

Based on your assurance that Local 1 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### 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 1 for the fiscal year ended December 31, 2019, was deficient in the following areas:

#### 1. Reporting of Investments

The union should enter the net amount received by your organization for all investments sold in Item 42 (Sale of Investments and Fixed Assets). Local 1 reported \$0 in Item 42 on its 2019 Form LM-3; however, in 2019, Local 1 withdrew \$60,000 from the First Financial Investment Account and put that amount into two of its checking accounts. Money from investments should be treated as a receipt for purposes of the LM report.

#### 2. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 1's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Please file an amended Form LM-3 for the fiscal year ended December 31, 2019, 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](http://www.olms.dol.gov). Please file the amended Form LM-3 no later than February 1, 2021. Before filing, review the report thoroughly to be sure it is complete and accurate.

### Signing Blank Checks

During the audit, you advised that you occasionally sign blank checks. A 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Insulators Local 1 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and

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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 signature]

[Redacted name]

Investigator