

**U.S. Department of Labor**

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December 18, 2007

Mr. John Fultz, Business Mgr., Fin. Sec.  
Boilermakers, AFL-CIO  
Local Lodge 175  
28 West Bridge Street  
Oswego, NY 13126

LM File Number 009-619

Case Number [REDACTED]

Dear Mr. Fultz:

This office has recently completed an audit of Boilermakers, Local Lodge 175 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 12, 2007, 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 Lodge 175's fiscal year ending (FYE) June 30, 2007 records revealed the following recordkeeping violations:

#### 1. General and Credit Card Expenses

Local Lodge 175 did not retain adequate documentation for at least five general expenses totaling \$450 and for credit card expenses incurred by you totaling at least \$2,400. For example, you did not retain the documentation for the September 23, 2006 charge of \$1,102.29 at Westin Hotel Crown Center, Kansas City, Mo.

As previously noted above, labor organizations must retain original receipts, bills and vouchers for all disbursements. You and President James Waldron are required to sign your local lodge's LM-2 report and as principal officers, are responsible for properly maintaining local lodge records.

#### 2. Meal Expenses

Local Lodge 175 did not require you to submit itemized receipts for meal expenses totaling at least \$600. The lodge must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for lodge business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local Lodge 175 records of meal expenses did not always include written explanations of local lodge business conducted or the names and titles of the persons incurring the restaurant charges. For example, the December 16, 2006 charge of \$334.96, payable to Sprinhill Suites, failed to disclose the nature of lodge business and people involved. 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. The records retained must also identify the names of the restaurants where the officers or employees incurred meal expenses.

### 3. Union Leased Vehicle

The lodge did not maintain records necessary to verify the accuracy of the information reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2.

Local Lodge 175 incurred expenses totaling at least \$5,500 for the local lodge leased Chevrolet Impala for your use as business manager/international representative during the audit year. However, Local Lodge 175 did not maintain records documenting business versus personal use of the union vehicle. The LM-2 instructions include specific rules for the reporting of all automobile expenses on Schedule 11.

Include in Column F, Schedule 11, the portion of the operating and maintenance cost of the leased automobile to the extent the use was for official business. Column G should reflect the portion of the vehicle's cost that would be attributed to personal benefit. The portion should be computed based on mileage driven in both categories. If 50% or more of the vehicle use was for official business for you, then the local lodge may enter in Column F all vehicle related disbursements. Subsequently, you would have to explain in Item 69 (Additional Information) indicating that the vehicle was also used part of the time for personal business.

For each trip you take using the leased vehicle, you must maintain a mileage log that shows the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip. Additionally, please write the license plate number and mileage on each gas expense receipt you receive. As we discussed, compliance will result in proper record maintenance.

### 4. Failure to Deposit Receipts

Local Lodge 175 did not deposit all its receipts. For example, Bartlett Insurance Company remitted a \$600 check in February 2007 to Local Lodge 175 and it was never deposited. It was discovered that the check was never negotiated and Bartlett Insurance Company issued another check payable to Local Lodge 175 for the same amount.

Each deposit should be identified with a specific set or time period of receipts in the lodge's receipt records to make the relationship between receipts and bank deposits perfectly clear and easily verifiable.

#### 5. Failure to Record Disbursements

Local Lodge 175 did not record all disbursements in its general ledger. For example, Local Lodge 175 failed to record a check payable to VISA totaling \$3,335.05 in July 2006. Local lodge disbursement records must include an adequate identification of all monies disbursed. The records should show the date, amount of check and the payee.

Based on your assurance that Local Lodge 175 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-2, filed by Local Lodge 175 for fiscal year ending (FYE) June 30, 2007, was deficient in the following areas:

##### 1. Wholly Owned Subsidiary

Local Lodge 175 did not report the activity of its Boilermakers Building Corporation. Local Lodge 175 created and controls the building corporation, which owns the building where the lodge has its offices. Subsequently, Local Lodge 175 must disclose the assets, liabilities, receipts and disbursements of the Boilermakers Building Corporation on its annual report.

##### 2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local Lodge 175 amended its bylaws in July 2004, but did not file a copy with its LM-2 report for FYE June 30, 2005.

Local Lodge 175 must file an amended Form LM-2 for the FYE June 30, 2007 to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but no later than January 10, 2008. Please include the Local Lodge 175 by-laws as an attachment when filing the amended LM-2. Before filing, please review the report thoroughly to be sure it is complete, accurate and signed properly with original signatures.

Additionally, don't forget to post a disclosure of your personal use of the lodge leased vehicle in item 69.

#### Other Violation

The audit disclosed the following other violation:

##### Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local Lodge 175's officers and employees are currently bonded for \$85,000. OLMS computations disclose that \$64,000 is the minimum LMRDA required coverage for persons handling only receipt monies. However, \$104,250 is the minimum LMRDA required coverage for persons handling all of the union's funds. Local Lodge 175 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of increased bonding coverage to this office as soon as possible, but no later than January 10, 2008.

I want to extend my personal appreciation to Boilermakers, Local Lodge 175 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.

Mr. John Fultz  
December 18, 2007  
Page 6 of 6

I look forward to your response by January 10, 2008.

Sincerely,

  
Investigator

cc: James Waldron, Local Lodge 175  
Georgia Peterson, Bookkeeper  
Karen Nasoni, CPA