

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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May 1, 2008

Mr. Warren Vincent Annunziata, Business Manager
United Crafts and Industrial Workers Union
United Crafts and Industrial Workers Union Local 91 IND
417 Willis Ave
Williston Park, NY 11596

Re: Case Number: [REDACTED]

Dear Mr. Annunziata:

This office has recently completed an audit of Local 91 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 Secretary-Treasurer Peter Scalzo, Vice-President Luis Salazar, Accountant John Lobur and you on March 12, 2008, 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.

Reporting Violations

The CAP 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 91 for fiscal year ending September 30, 2007, was deficient in the following areas:

LM-2 Schedules 11 and 12 (All Officers and Disbursements to Officers/Disbursements to Employees)

Local 91 failed to include indirect disbursements made by the union on behalf of officers and employees while conducting union business in Schedule 11 (All Officers

and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). Such payments appear to have been erroneously reported in Schedules 15 through 19.

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

Automobile Expenses

Disbursements for the operation and maintenance of union automobiles were not properly reported. The LM-2 instructions provide two methods for reporting automobile-related expenses. 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) must be reported in Schedules 11 and 12.

The expenses may be divided and reported 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.

Resolution of Reporting Problems

Local 91 has filed an amended Form LM-2 for fiscal year ending September 30, 2007, and has corrected the deficient items discussed above.

Other Violations

The CAP 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 handled by those individuals or their predecessors during the preceding fiscal year. Local 91's officers and employees were previously bonded for \$250,000 with a \$1,000 deductible, but they must be bonded for at least \$377,258 with no deductible.

Resolution of Bonding Problem

Adequate bonding coverage was obtained by Local 91 and documentation provided during the audit. No further enforcement action will be taken regarding this issue.

Loan to Officer Greater Than \$2,000

The audit revealed a violation of LMRDA Section 503 (a) which states that "No labor organization shall make directly or indirectly any loan or loans to any officer or employee of such organization which results in a total indebtedness on the part of such officer or employee to the labor organization in excess of \$2,000."

The audit disclosed that Local 91 made a loan to Local 91 Secretary-Treasurer Peter Scalzo for \$5,000 in April, 2007. Although this loan was documented, approved at an executive board meeting, and disclosed on the Local 91 2007 LM-2, the loan was a violation of Section 503 because the loan amount was greater than \$2,000.

Resolution of Loan

The current amount outstanding on this loan is less than \$2,000. As agreed, Local 91 will not make any loan(s) greater than \$2,000 to any officer or employee.

Mr. Warren Vincent Annunziata
May 1, 2008
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I want to extend my personal appreciation to Local 91 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

cc: John Lobur, CPA