

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
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September 29, 2008

Mr. Kenneth Keith  
Cincinnati Shaper Independent Union  
4205 US Highway 52  
Cedar Grove, Indiana 47016

LM File Number: 050-239  
Case Number: [REDACTED]

Dear Mr. Keith:

This office has recently completed an audit of Cincinnati Shaper Independent Union (CSIU) 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 Investigator [REDACTED] discussed during the exit interview with you, Vice President John Bowling, Treasurer Chris Berry, Finance Committeeman Jim Maune, and Strauss & Troy Attorney Claudia Allen on September 19, 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.

#### 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 CSIU's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

CSIU did not retain supporting documentation and/or retained inadequate documentation for reimbursed expenses incurred by Treasurer Berry and you totaling at least \$300.20. For example, in January 2007 you received \$80.00 in cash to rent a motel room for a contract vote, but no documentation was provided to confirm the cost of the room. In February, you were reimbursed \$12.80 for motel tax; however, you did not provide a motel invoice to support the reimbursement. Finally, you received \$127.40 for mileage claimed during the audit year, but you did not retain any documentation to support the expenses. Treasurer Berry did not provide a voucher for reimbursement check [REDACTED] totaling \$80.00.

As noted above, labor organizations must retain original receipts, bills, and vouchers with a sufficiently descriptive explanation 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. General Disbursements

CSIU did not retain supporting documentation for certain purchases and payments made during the 2007 audit year. For example, CSIU made two \$50.00 payments to Amvets Post 13 and two \$175.00 payments to VFW Post 7570 to rent a hall for general membership meetings. The union did not retain supporting documentation to support the rental costs.

CSIU retained inadequate documentation to support donations made to the American Prisoners of War, Inc. (check [REDACTED]) and to the Rising Sun Church of Christ (check [REDACTED]) totaling \$70.00.

It is CSIU's responsibility to maintain proper documentation in the union records to support all disbursements.

3. General Records

CSIU failed to maintain records that support the general course of union business.

For example, CSIU did not retain cancelled checks or check images for its checking account. The union was missing dues lists provided by Cincinnati Incorporated for January, February, April, and May 2007. CSIU did not maintain statements for investments with American Funds and Ameriprise Financial. CSIU also did not retain the fourth quarter employer report (form 941) or its bonding certificate.

CSIU maintained incomplete records used to support the general course of union business. For example, the voucher retained by CSIU to support lost time check 3001 did not include the hourly rate or the gross amount calculated.

According to Section 206 of the LMRDA, records must be maintained on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed can be verified, explained, and checked for accuracy and completeness.

#### 4. Meal Expenses

CSIU'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, in December 2007 check [REDACTED] was made payable to Harrison Home Bakery. CSIU did not provide a meal receipt or an explanation stating the reason for the food purchase. Union records of meal expenses must include original receipts with 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file CSIU'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-3) filed by CSIU for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers

CSIU did not include some reimbursements to officers totaling at least \$405.12 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to CSIU officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Deductions

CSIU properly reported taxes deducted from gross salaries in Item 54 (Other Disbursements). However, withheld taxes, payroll deductions, and other deduction should also have been reported on line 10 (less deductions) of Item 24 (All Officers and Disbursements to Officers).

3. Benefits

CSIU did not correctly report all benefits paid during the 2007 fiscal year in Item 50 (Benefits). CSIU reported that it disbursed \$11,730.00 in Item 50. Per the financial records provided, Investigator [REDACTED] calculated that CSIU disbursed \$18,600.00 in benefit payments. The LM-3 instructions for Item 50 require that the local report the total of all direct and indirect benefit disbursements made by the organization. These disbursements include payments made to officers, employees, members and their beneficiaries from your organizations funds.

4. Contribution, Gifts, & Grants

CSIU did not correctly report donations made during the 2007 fiscal year in Item 51 (Contributions, Gifts & Grants). It appears the local incorrectly reported these amounts in Item 54 (Other Disbursements). The LM-3 instructions require that the local report the total of all disbursements for contributions, gifts and grants made by the organization in Item 51.

5. 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. CSIU amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year.

CSIU has now filed a copy of its constitution and bylaws.

I am not requiring that CSIU file an amended LM report for 2007 to correct the deficient items, but CSIU has agreed to properly report the deficient items on all future reports it files with OLMS.

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.

CSIU's officers and employees are currently bonded for \$10,000.00, but they must be bonded for at least \$36,000.00. CSIU should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than October 17, 2008.

Other Issue

Inventory of Fixed Assets

We recommend that CSIU maintain an inventory of its fixed and other assets. The inventory should be kept to verify, support, and clarify the amounts that should be reported in Item 29 (Fixed Assets) and Item 30 (Other Assets) of the LM-3. The union

should report details of all fixed assets, such as land, buildings, automobiles, office furniture and equipment owned by your organization at the end of the reporting period. This includes assets that were expensed, fully depreciated, or carried on your organization's books at scrap value. Items purchased for gifts or resale, such as jackets and caps, should also be inventoried so that all can be accounted for.

The inventory kept by the union should record a detailed description of what was purchased, the date of the purchase, the amount of the purchase, and the depreciated value. The report should be kept with the union records.

I want to extend my personal appreciation to Cincinnati Shaper Independent Union 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,

Lesta A. Chandler  
District Director

cc: Mr. Chris Berry, Treasurer  
Ms. Claudia G. Allen, Attorney at Law