

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Indianapolis Resident Investigator Office
46 East Ohio Street, Room 511
Indianapolis, IN 46204
Telephone/ Facsimile: (317) 614-0013



August 7, 2009

Mr. Richard George , Financial Secretary-Treasurer
SHEET METAL WORKERS AFL-CIO Local 179
207 West 300 North
Greenfield, IN 46140

LM File Number: 047-741
Case Number: [REDACTED]

Dear Mr. George:

This office has recently completed an audit of Sheet Metal Workers Local 179 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 and Local Chairman Donald Henry on August 7, 2009, 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.

The CAP disclosed the following:

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 179's 2008 records revealed the following recordkeeping violations:

1. Lost Wages

Local 179 did not retain adequate documentation for lost wage reimbursement payments to union officers for any of its lost time payments. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 179 did not always identify dates of lost time taken, the number of hours lost on each date or the union business conducted, and it never identified pay rates.

During the opening interview, I provided a booklet about conducting audits in small unions that contains a sample of an expense voucher Local 179 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Lack of Salary Authorization

Local 179 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amount and therefore were 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.

3. General Reimbursed and Credit Card Expenses

Local 179 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$355. For example, Local 179 reimbursed former Local Chairman William Raley for union calls made with his personal phone, but authorization for those payments was not recorded in minutes until June 2008 when Mr. Raley was already out of office and copies of Mr. Raley's phone bills were not retained by the union. As another example, Local 179 failed to retain a vendor receipt for the \$250 purchase of gift cards for union members authorized per November 2008 meeting minutes.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers 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.

Based on your assurance that Local 179 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 179 for fiscal year ending December 31, 2008 was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 179 did not include some reimbursements to officers totaling at least \$1,104 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). The union must report most direct disbursements to Local 179 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. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union'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.

I am not requiring that Local 179 file an amended LM report for 2008 to correct the deficient items, but Local 179 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Sheet Metal Workers Local 179 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,



Lead Investigator

cc: Donald Henry, Local Chairman