



November 29, 2011

Mr. John C. Calhoun, President  
IFPTE Local 7  
P.O. Box 13125  
Columbus, OH 43213-0125

Case Number: [REDACTED]  
LM Number: 516-011

Dear Mr. Calhoun:

This office has recently completed an audit of IFPTE Local 7 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 Treasurer David Schupbach on November 16, 2011, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 7's 2010 records revealed the following recordkeeping violations:

1. Failure to Maintain Union Financial Records

Union records for fiscal year ending September 30, 2010, are incomplete. A recording of union financial transactions did not begin until May 1, 2010. In order to complete this audit, union records had to be recreated using bank and employer records. For example, the union did not maintain dues remittance reports from the employer for each pay period during the fiscal year.

To satisfy the LMRDA recordkeeping requirement the union must keep on hand all financial records so that all union expenses and receipts can be verified, explained, and clarified.

2. General Reimbursed and Debit Card Expenses

Local 7 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by union officers totaling at least \$1,105.80. For example, a \$780.00 cash withdrawal was made on the union checking account on April 9, 2010, and the union maintained no contemporaneous record to account for this transaction. The union could only produce a signed statement by former officers attesting to the validity of the expense as a cash advance for per diem for officers on union travel. In addition, a union debit card was used to make a \$60.00 purchase on April 20, 2010, and again the union failed to maintain any documentation to account for this transaction. The union could only produce a signed statement by a former officer attesting to the validity of the expense as a baggage fee for union travel.

As 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.

3. Meal Expenses

Local 7 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$176.24. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 7 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, on October 6, 2009, and November 24, 2009, debit card purchases were made at Rooster's Whitehall and Angie's Pizza, respectively. The union did not maintain vendor receipts and during the audit the current union officers could only verify the attendees and the union purpose of these meals verbally or with a signed statement. 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. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

4. Failure to Record Receipts

Local 7 did not record in its receipts records some employer dues checkoff checks and some checks received from banks for interest earned on certificates of deposit totaling at least \$890.00. For example, the union did not record any dues receipts or interest income in a union record prior to May 1, 2010. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

5. Lack of Salary Authorization

Local 7 did not maintain records to verify that the salary/allowance 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/allowance authorized by the entity or individual in the union with the authority to establish salaries/allowances.

6. Information not Recorded in Meeting Minutes

During the audit, you and Treasurer David Schupbach advised me that the union bylaws authorized the Executive Board to transact all union financial business. However, the union failed to maintain Executive Board meeting minutes or any record of expense authorizations approved by the board. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance, during the exit interview, that Local 7 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report Form LM-3 filed by Local 7 for the fiscal year ended September 30, 2010, was deficient in that or deficient in the following areas:

1. Disbursements and Allowances to Officers

Local 7 did not include disbursements and reimbursements to officers totaling at least \$780.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). The \$780.00 was a cash advance for per diem for officers on union travel. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 7 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 (Cash) are not the figures according to Local 7'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.

Local 7 must file an amended Form LM-3 for the fiscal year ended September 30, 2010, to correct the deficient items discussed above. I provided you with an instruction booklet, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than December 21, 2011. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Financial Safeguard: Two Signatures on Checks

During the organizational interview that opened the audit you and Treasurer Dave Schupbach informed me that two signatures were required on union checks. During the audit a number of cancelled checks were converted with only one union officer's signature. These checks were all issued prior the installation of new officers on May 1, 2010. Two signatures on each union check is a safeguard that OLMS encourages you to continue.

2. Financial Safeguard: Debit Card and Cash Withdrawal Policies

During the audit period the union periodically made expenditures with the use of a debit card or by cash withdrawals drawn on the checking account. The union lacked adequate policies and oversight to prevent the abuse of these types of transactions. You indicated during the exit interview that you planned to discontinue these practices. It is important that if these types of transactions continue that policies are in place to make certain that expenditures are properly authorized and recorded.

3. Former Officers: Remove as Signatories and Deactivate Debit Cards

It was discovered during the audit that two former officers are still signatories on all of the union's bank accounts. It was also revealed that a former officer still has an active union debit card, which has not been used since the audit period covered. You indicated during the exit interview that you would make an appointment with the bank to update the signatories and deactivate the debit card as soon as possible.

I want to extend my personal appreciation to IFPTE Local 7 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,



Investigator

cc: Mr. David Schupbach, Treasurer