

U.S. Department of Labor

Office of Labor-Management Standards
New York District Office
201 Varick Street
Room 878
New York, NY 10014
(646)264-3190 Fax: (646)264-3191



October 7, 2011

Mr. James Stolpinski, President
ILA, Local 920
2015 Forest Avenue, Suite C6
Staten Island, NY 10303-1736

Re: Case Number [REDACTED]

Dear Mr. Stolpinski:

This office has recently completed an audit of [REDACTED] 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, Treasurer August Spagnuolo and the union's Accountant Charles La Cagnina on September 15, 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.

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 920's records revealed the following recordkeeping violations:

1. Failure to maintain union's certificate of deposit statements:

Local 920 did not maintain up dated bank statements for three certificates of deposits during the audit period. You explained that the financial institutions which held the union's certificate of deposits only provided statements upon maturity. However, during the on-site audit you obtained transaction statements from the financial institutions which allowed for a complete analysis of the union's receipt records.

Based on your assurance that Local 920 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations. However, the union is required to amend the union's

LM-2 report for fiscal year ending December 31, 2009 to include the correct amount in Statement A -Cash Item 22 A and Item 22 B as referenced above.

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 920 for the fiscal year ended December 31, 2009 was deficient in the following areas:

1. Cash Reconciliation (Form LM-2 Item 22A and Item 22B)

It appears that the cash figure reported in Item 22 is not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 22 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. Specifically, the audit showed that in Item 22A totaled at least \$905,641. However, the union entered \$898,240 in Item 22A instead. Also, the audit showed in Item 22B an amount of at least \$852,569. However, the union entered \$842,569.

2. Cash Receipts (Form LM-2 Item 36 Dues and Item 49 Total Receipts)

The union inadvertently reported in Form LM-2 Items 36 and 49 the amount of \$214,839 and \$227,281, respectively, for the audit period December 31, 2009. However, the audit findings showed in Item 36 Dues an amount of at least \$493,900 and Item 49 Total Receipts an amount of at least \$514,176 instead. All of the union's "dues" receipts regardless of the classification should be shown in Item 36, Dues and Agency Fees on the Form LM-2.

3. Cash Receipts (Form LM-2 Item 38 Fees, Fines, Assessments, Work Permits)

Local 920 inadvertently included transfer fees in the amount of \$4,700 in Item 36 Dues. The union is required to report transfer fees in Item 38 instead of collectively in Item 36.

4. Cash Receipts (Form LM-2 Item 40 Interest)

Local 920 failed to include the total amount of accrued interest earned on three certificates of deposits during the audit period. The union entered in Form LM-2 Item 40 the amount of \$12,442. However, the audit findings showed \$15,505 in accrued interest for 2009.

5. Cash Disbursements (Form LM-2 Item 53 General Overhead and Item 68 Total Disbursements)

Local 920 failed to include disbursements of at least \$284,204 paid to members as a refund for overpayment of dues in Item 53 General Overhead and in Schedule 18. The Form LM-2 Item 53 inaccurately reflects an amount of \$86,907. The disbursements for overpayment of dues should be shown in Item 53, General Overhead, on the Form LM-2. Therefore, Item 53 must include the members' dues refund overpayment as well. As a result of the audit findings, Item 68 Total Disbursements will increase to at least \$567,200 instead of \$283,033.

Please note that "Netting" of receipts, disbursements, assets, and liabilities is not allowed on the LM-2 reports. Due to this practice, Local 920 must electronically file an amended Form LM-2 for the fiscal year ended December 31, 2009, to correct the deficient items discussed above. You can obtain electronic Form LM-2 and instructions from the OLMS website (www.olms.dol.gov). Also, forward the amended Form LM-2 to my attention for review of accuracy before filing electronically with our National Office. Before

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electronically filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with digital signatures. The amended Form LM-2 was expected in this office by September 30, 2011 but was not received by this date. Therefore, this matter will be pursued under a separate case.

The audit disclosed the following other violation(s):

1. 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 920's officers and employees are currently bonded for \$100,000, but they must be bonded for at least \$143,429. Local 920 should obtain adequate bonding coverage for its officers and employees immediately. The updated bond was expected in this office by September 30, 2011. However, the union's bond was not received at the time of this writing. As a result, this matter will be pursued under a separate case.

I want to extend my personal appreciation to 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,


Federal Investigator

cc: August Spagnuolo, Treasurer