



November 5, 2012

Mr. Clyde D. Rose, Financial Secretary
Roofers, AFL-CIO
Local Union 185



Case Number: [REDACTED]
LM Number: 020563

Dear Mr. Rose:

This office has recently completed an audit of Roofers, AFL-CIO 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 on November 5, 2012, 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 Local Union 185's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local Union 185 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least totaling at least \$11,697.70. For example, the union purchased sweatshirts for members but did not maintain the invoices from the vendor.

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.

2. Meal Expenses

Local Union 185 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$969.63. 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 Union 185 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, the audit revealed that executive board officers hold their monthly meetings at various restaurants; however, the meal receipts did not always include information as to the purpose of the meal or who attended. 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.

Based on your assurance that Local Union 185 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 Union 185 for the fiscal year ended December 31, 2011 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away sweatshirts to members totaling more than \$11,697.70 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local Union 185 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). For example, executive board members Bruce Hysell and Jeff Mullins received allowances of \$628.00 and \$28.00 respectively but were not identified in Item 24. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local Union 185 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).

3. Automobile Expenses

Local Union 185 did not include in the amounts reported in Item 24 (All Officers and Disbursements to Officers) disbursements for the operation and maintenance of a union automobile totaling at least \$6,493.53. It appears the local incorrectly reported these amounts with the amounts reported in Item 55, Other Disbursements. The LM-3 instructions for Item 24 require that the local report in Column E of Item 24 (Allowances and Other Disbursements) the total maintenance and operating costs of any automobile it owned or leased and assigned to an officer, whether the use was for official business or for the personal benefit of the officer.

4. Certificates of Deposit Reported As Investments

Local Union 185 improperly included the value of a certificate of deposit as an investment in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

5. Cash Reconciliation

It appears that the end of the year cash figure reported in Item 25B (Cash) is incorrect. The cash at the start of the reporting period (Item 25A), when calculated with the total receipts (Item 44) and total disbursements (Item 55) does not reconcile with the cash at the end of the reporting period (Item 25B). The union must check its figures to provide an accurate end of the year cash balance.

6. Audit or Outside Review of Books

Item 14 [LM-3] (During the reporting period did your organization have an audit or review of its books and records by an outside accountant or by a parent body auditor/representative?) should have been answered, "Yes," as the union has an outside auditor, Austin & Associates, review their records and prepare an audit. In Item 56, Additional Information, the union should list the name and address of the auditor.

7. Number of Members

Item 19 [LM-3] (How many members did your organization have at the end of the reporting period) requires a number. The question was left blank. For future reports, the union needs to identify the number of members at the end of the reporting period.

I am not requiring that Local Union 185 file an amended LM report for 2011 to correct the deficient items, but Local Union 185 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Roofers, AFL-CIO 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,

[REDACTED]

Investigator

cc: Mr. John Withrow, President