



July 1, 2013

Mr. Dave Masker, Treasurer
Surgical Instrument Workers Union
8450 Dupont Lane
Belleville, IL 62223

Case Number: 550-11712 [REDACTED]
LM Number: 515987

Dear Mr. Masker:

This office has recently completed an audit of Surgical Instrument Workers Union 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 President Jeff Baldwin on July 1, 2013, 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 Surgical Instrument Workers Union's 2010, 2011, and 2012 records revealed the following recordkeeping violations:

1. Lack of Back-up Documentation for Disbursements

The Surgical Instrument Workers Union did not retain adequate documentation for disbursements totaling at least \$800. For example, backup documentation was not retained for the following disbursements:

- Debit card charges to McAfee for antivirus software totaling \$123.80
- Debit card charges at That One Place Bar & Grill for meals totaling \$303.50
- Debit card charges at Walter Knoll Florist for funeral flowers totaling \$271.73

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

The Surgical Instrument Workers Union did not require officers and employees to submit itemized receipts for meal expenses. During the three year audit period, the union's debit card was charged for 123 meals; however, the union retained only two itemized meal receipts. 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.

The Surgical Instrument Workers Union 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, during the three year audit period, the union's debit card was charged for 123 meals; however, the union purpose for the meal was recorded only 79 times and the names of the individuals incurring the meal charges were recorded only 5 times. 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.

3. Lost Wages

The Surgical Instrument Workers Union did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$32,429 over the three year audit period. 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 the Surgical Instrument Workers Union retained no documentation to verify the accuracy and union purpose of lost time payments to its four officers.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher the union may use to satisfy this requirement. The sample identifies the type of information and documentation that the union must maintain for lost wages and other officer expenses.

4. Information not Recorded in Meeting Minutes

During the opening interview, I was advised that the executive board authorized large and unusual disbursements. However, the union did not maintained any executive board minutes. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that the Surgical Instrument Workers Union will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 the Surgical Instrument Workers Union for the fiscal years ended December 31, 2010, December 31, 2011, and December 31, 2012, was deficient in that:

Disbursements to Officers

The Surgical Instrument Workers Union did not include any reimbursements to officers or expenses incurred by officers totaling at least \$7,255 (over the three year audit period) in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 Office and Administrative Expenses.

The union must report most direct disbursements to the Surgical Instrument Workers Union 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).

The Surgical Instrument Workers Union must file an amended Form LM-3 for the fiscal years ended December 31, 2010, December 31, 2011, and December 31, 2012, to correct the deficient items discussed above. I encourage the Surgical Instrument Workers Union to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than July 15, 2013 or submitted to this office at the above address by the

same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Violation

The audit disclosed the following 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.

The Surgical Instrument Workers Union's officers and employees are currently bonded for \$2,400, but they must be bonded for at least \$3,077. The Surgical Instrument Workers Union 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 July 15, 2013.

Other Issue

Expense Policy & Lost Time Policy

As I discussed during the exit interview with you and Mr. Baldwin, the audit revealed that the Surgical Instrument Workers Union does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union debit cards. Also, the union does not have a written policy regarding the payment of lost time. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Surgical Instrument Workers 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,



Investigator

cc: Mr. Jeff Baldwin, President