



June 12, 2014

Mr. Joe Vreeke, President  
Boilermakers Local 443

Case Number: 320-6000551 ( )  
LM Number: 027499

Dear Mr. Vreeke:

This office has recently completed an audit of Boilermakers Local 443 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 Bill Johnson, and Trustees Tom Graff, Brian Hartlaub, and Craig Sprang on June 3, 2014, 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 443's 2013 records revealed the following recordkeeping violations:

#### 1. Receipt Dates not Recorded

Entries in Local 443's check stubs reflect the date money was deposited but not the date money was received. During the audit year, Local 443 received checkoff checks from their

employer, direct paid dues from members who were laid off and returned to work during the middle of the month, as well as other various sources of miscellaneous income, including tax refunds. The income was recorded on a deposit slip and entered as a lump sum deposit on the check stubs. No additional records of receipts were maintained.

Receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The LM-3 instructions for Statement B state that receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

## 2. Lack of Salary Authorization

Local 443 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 amounts and were therefore correctly reported.

The authorized salaries for Local 443's officers and employees are detailed in Article 10.1 of the local's bylaws, which provides that "No member shall receive in any month more than one of the established allowances above. If he performs the duties of two (or more) offices or positions, he shall receive the higher of the applicable allowances, but only one;" however, the audit revealed that several officers received compensation for multiple positions. In addition, Article 10.1 of the local's bylaws provides a meeting allowance of \$12 per meeting for delegates that attend meetings for the Central Labor Council, Cope, Metal Trades, and Building Trades, and members of the by-law committee; however, the audit revealed that each of the officers received a meeting allowance of \$12 to attend executive board meetings. During the exit interview, Trustee and Former President Tom Graff advised that Local 443 has been paying multiple salaries and meeting attendance allowances to officers for at least the past fifteen years, but the bylaws were not changed to reflect this practice.

Local 443 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries. During the exit interview, Local 443 agreed to discuss salaries at the next membership meeting and obtain the authorization to continue to pay salaries for multiple positions as well as the meeting attendance allowance. Local 443 will provide a copy of those meeting minutes to OLMS as soon as possible. You also advised that Local 443 is opening the bylaws for changes in the next few months and will incorporate the current practice of paying multiple salaries and meeting attendance allowances into the bylaws.

## 3. Reimbursed Auto Expenses

Officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$500 during

2013. Mileage was required to be documented on a local expense form; however the only information included on the expense form was the total number of miles and the mileage rate paid. Local 443 must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

#### 4. Per Diem Payments

Expense forms for per diem payments prepared by or on behalf of officers who traveled on union business are not adequate because the forms failed to identify the specific dates of travel. Claims for per diem were typically documented on forms that generally identified the business purpose and the amount of the per diem claimed. However, the expense forms did not include the dates of travel.

In the case of per diem payments to officers and employees for travel on union business, Local 443 must maintain records which identify the business purpose of each trip, the dates of travel, the destinations travelled to and from, and the per diem rate claimed for each date of travel.

#### 5. Lost Wages

Local 443 did not retain adequate documentation for lost wage reimbursement payments to officers totaling at least \$4,800. Records must be maintained 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 audit found that lost wage claims were documented on the local expense forms; however, most of the lost wage claims failed to include dates the lost wages were incurred and the union business purpose for the lost wages.

During the exit interview, I provided a sample of an expense voucher Local 443 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.

#### 6. Fixed Assets

The LM-3 filed by Local 443 for 2013 reported fixed assets totaling \$8,057 at the beginning and end of the audit year, but Local 443 failed to retain any records to verify the accuracy of those figures.

In the case of fixed assets, the local must maintain an inventory or similar record identifying each fixed asset and the approximate value of each asset. Such records are required to be retained to verify, clarify, and support information required to be reported on the union's LM-3.

Based on your assurance that Local 443 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 443 for the fiscal year ended June 30, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 443 did not include some reimbursements to officers totaling at least \$4,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). During the audit year, you, Trustee Sprang, and former Trustee Dave Kaczrowski travelled on behalf of the union to participate in School for Workers. The quarterly audit reports prepared by CPA Blashka show that the amounts paid directly to each of you for registration costs, mileage and per diem were reported in Item 54 (Other Disbursements); however, those amounts should have been reported in Item 24, Column E (Allowances and Other Disbursements).

Most direct disbursements to Local 443 officers and some indirect disbursements made on behalf of its officers must be reported 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).

Furthermore, Article 10.1 of the Local 443 bylaws provides for a monthly salary to both you and the treasurer, which appears to be properly reported in Item 24, Column D (Gross Salary). The bylaws provision also provides for a monthly allowance for all of the officer and committee positions as well as an additional monthly allowance equivalent to one (1) months dues. During the exit interview, all officers present agreed that those allowances were compensation for the officers to hold their positions and fulfill the responsibilities for their elected office. However, those disbursements were erroneously reported in Item 24, Column E (Allowances and Other Disbursements). All compensation must be treated as salary and reported in Item 24, Column D (Gross Salary).

## 2. Office and Administrative Expenses

The audit revealed that Local 443 reported only \$138 in disbursements in Item 48 (Office and Administrative). The quarterly audit reports revealed that those disbursements include only those checks that were disbursed to Office Max during the audit year. Page 15 of the LM-3 Instructions provides that all disbursements for office and administrative expenses must be reported in Item 48, including rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums, etc. In addition, all taxes assessed and paid by your organization, including your organization's FICA and Medicare Taxes as an employer, must be included in the amounts reported in Item 48. The quarterly reports confirm that all of the disbursements made by your local for employer paid taxes as well as some additional office and administrative expenses, such as telephone expenses and insurance premiums, were erroneously included in the amounts reported in Item 54 (Other Disbursements).

## 3. Membership

Local 443 reported 250 members in Item 19 (Number of Members) of the LM-3 Report. During the audit, Treasurer Johnson advised that Local 443 has had approximately 170 members for the past several years and was unsure why the local has been reporting a significantly higher membership in Item 19.

Local 443 is required to report the number of members in their organization at the end of the reporting period, including all categories of members who pay dues.

I am not requiring that Local 443 file an amended LM report for 2013 to correct the deficient items, but Local 443 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Signing Blank Checks

During the audit, Treasurer Bill Johnson advised that you sign blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 443 review these procedures to improve internal control of union funds.

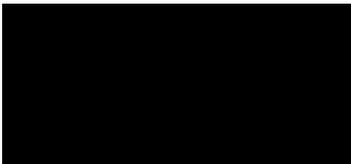
#### 2. Duplicate Receipts

The Manitowoc Company issued checkoff checks directly to Local 443, and members of the union also occasionally paid dues directly to the local in 2013. In addition, Local 443 also received other sources of miscellaneous income at intermittent intervals, such as income tax

refunds. Local 443 currently does not maintain a record that individually identifies the source of each receipt nor that date that each receipt was received. Currently, Treasurer Johnson records the receipts on a deposit ticket and also enters a lump sum deposit amount on the check stubs. OLMS recommends that Local 443 use a duplicate receipt system where the union issues original pre-numbered receipts for all income received by the union, including to all members who make payments directly to the union. The union should retain a copy of each receipt. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to Boilermakers Local 443 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. Bill Johnson, Treasurer  
Mr. Gerald Novak, Vice President  
Mr. Tom Graff, Trustee  
Mr. Brian Hartlaub, Trustee  
Mr. Craig Sprang, Trustee