



September 30, 2015

Mrs. Debra Orban-Kaminski, Secretary-Treasurer
APWU, AFL-CIO, Local 266
P.O. Box 64808
Gary, IN 46401-0808

Case Number: 310-6002908()
LM Number: 511-357

Dear Mrs. Orban-Kaminski:

This office has recently completed an audit of AWPU Local 266 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 September 28, 2015, 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 266's records for fiscal year ending June 30, 2014 and Local 266's Holding Corporation records for fiscal year ending December 31, 2013 revealed the following recordkeeping violations:

1. Lack of Expense Supporting Documentation

Local 266 did not retain adequate supporting documentation for at least 2 disbursements by check totaling approximately \$573.55 for hotel expenses that appeared to pertain to official union business. In addition, Local 266 failed to retain adequate supporting documentation for at least 16 credit card expenses incurred by union officers totaling approximately \$424.85. For example, there were 2 credit card transactions at an office supply store totaling \$124.08 for which original transaction receipts were not retained. Further, Local 266's Holding Corporation failed to retain adequate supporting documentation for at least 2 disbursements by check totaling approximately \$1,529.62. For example, the Holding Corporation only retained a photocopy of an invoice for the purchase of \$1,200.00 in glass block windows for the union hall.

As noted above, labor organizations must retain original bills, invoices and receipts 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. Receipt Source

Local 266 failed to adequately record the source of income from the sale of work aprons to union members. The union appeared to receive \$105.00 from the sale of work aprons during the audit period, but failed to record the source of \$93.00 in apron sale receipts.

As noted above, labor organizations must retain at least one union record that shows the date, amount, purpose, and source of all money received.

Based on your assurance that Local 266 and its Holding Corporation 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 conditions and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 266 for fiscal year ended June 30, 2014, was deficient in the following areas:

1. Reporting a Subsidiary Organization

Local 266 and its subsidiary Holding Corporation filed separate LM-3 reports for fiscal years ending June 30, 2014 and December 31, 2013, respectively. The LM-3 instructions require subsidiary organizations such as a building holding corporation to be reported in

one of two ways – 1) consolidate the financial information for the subsidiary organization and the labor organization on a single Form LM-3, or 2) file, with the labor organization's Form LM-3, the regular annual report of the financial condition and operations of the subsidiary organization, accompanied by a statement signed by an independent public accountant certifying that the financial report presents fairly the financial condition and operations of the subsidiary organization and was prepared in accordance with generally accepted accounting principles.

During the audit period, Local 266 changed its fiscal year to a calendar year end and filed a consolidated LM-3 for fiscal year ending December 31, 2014.

2. Acquire/Dispose of Property

Item 13 (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 approximately \$5,430.00 in \$30.00 grocery store gift cards during the audit period and disposed of obsolete office equipment, including: (1) computer, (3) monitors, and (3) printers. The union must identify the type and value of any property given or thrown away in the additional information section of the LM report along with the identity of the recipients of such property. In the case of giveaways, the union does not have to itemize every recipient by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." The union must report in the additional information section of the LM report the cost or other basis at which any assets disposed of were carried on your organization's books.

3. Tax Withholdings

Item 24 (All Officers and Disbursements to Officers), Line 10 (Less Deductions) was reported as \$0.00 even though Local 266 withheld taxes from officers' salary and lost time checks. The LM-3 instructions require withholding taxes and other payroll deductions to be reported in Item 54 (Other Disbursements) upon transmittal to a taxing authority.

4. Receipt Items

Item 38 (Dues Receipts) was reported as \$63,676.00 even though the union should have reported \$66,009.00 in dues receipts. A majority of the pay period 16 (calendar year 2013) dues check-off refund totaling \$2,333.04 was retained by the APWU in order to pay bonding premiums on behalf of Local 266 and its Holding Corporation. It appears that Local 266 incorrectly reported the refunded portion of the pay period 16 dues check-off, \$233.04, in Item 43 (Other Receipts). The LM-3 instructions require the full dues-check off refund to be reported in Item 38 and the amount disbursed by the parent body on behalf of the union to be reported in the appropriate disbursement category on Statement B (Cash Disbursements). In this case, the multiyear bonding premiums totaling \$2,100.00 should have been reported in Item 48 (Office and Administrative Expense).

5. Disbursement Items

Item 47 (Per Capita Tax) was reported as \$1,139.00; however, it appears that the union failed to report three per capita tax payment totaling approximately \$633.00 to a northwest Indiana labor federation. It appears that these per capita tax payments were incorrectly reported in Item 54 (Other Disbursements).

Item 51 (Contributions, Gift & Grants) was reported as \$0.00 even though the union spent \$5,301.00 on grocery store gift cards that were given away to union members during the holiday season. It appears that the gift cards were incorrectly reported in Item 48 (Office and Administrative Expense).

6. Other Liabilities (Holding Corporation LM-3 only)

The Holding Corporation's LM-3 report for fiscal year ending December 31, 2013 incorrectly reported \$110,436.00 in Item 35(c) and Item 35(d) (Other Liabilities). It appears that Item 35(c) and Item 35(d) should have been reported as \$0.00 because the audit revealed that the only liability of the Holding Corporation appears to have been properly reported in Items 34(c) and 34(d) (Mortgages Payable).

I am not requiring that Local 266 file an amended (consolidated) LM report for fiscal year ended June 30, 2014 to correct the deficient items, but Local 266 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to APWU Local 266 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,



Supervisory Investigator

cc: Mr. Benjamin Barnes, Local 266 President